

**DISCOUNTED CASH FLOW VALUATION OF  
MC GROUP PUBLIC COMPANY LIMITED**



**A THEMATIC PAPER SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR  
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entitled  
**DISCOUNTED CASH FLOW VALUATION OF  
MC GROUP PUBLIC COMPANY LIMITED**

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## **DISCOUNTED CASH FLOW VALUATION OF MC GROUP PUBLIC COMPANY LIMITED**

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### **ABSTRACT**

The Stock market which acts as a source of funding for the firms and source of investment for the investors, is changing every second due to both internal and external factors and circumstances. Fast information updates and careful analysis of the targeted firms are crucial for taking into consideration whether to buy-sell-hold stocks.

MC Group Public Company Limited (MC) manages ready-to-wear retailing business and related apparels under its own brands and invests in other companies. As MC provides apparel and there are many competitors in the market, people concern more about their image and AEC is an opportunity for MC to expand into new market. Those factors will affect to their stock price, but in which way? This is the motivation why I choose MC to analyse their business and financial situation, creating a forecast and calculating a reasonable valuation of the firm's share price using the "discounted cash flow" method.

The result from this paper shows the 5 years' future value of MC share price is expected to be valued higher than the current share price by 31.83%. This results lead to my recommendation of "buy" because the current share price is considered to be undervalued.

**KEY WORDS:** MC / Discount Cash Flow /Valuation /Construction Materials

55 pages

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## LIST OF ABBREVIATIONS

BV	Book value
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CCI	Consumer Confidence Index
COGS	Cost of Goods Sold
D/E	Debt/Equity
EBIT	Earnings before Interest and Taxes
EBITDA	Earnings before Interest, Taxes and Depreciation
EM	Emerging Market
EPS	Earning per share
EV	Enterprise value
GDP	Gross Domestic Products
N/I	Net Income
NOPAT	Net Operating Profit after Taxes
NOWC	Net Operating Working Capital
P/E	Price/Earning
QE	Quantitative Easing
QoQ	Quarter on Quarter
Rf	Risk free
ROA	Return on Assets
ROE	Return on Equity
SET	Stock Exchange of Thailand
SG&A	Selling, General and Administrative Expense
SSSG	Same Store Sales Growth
SWOT	Strength, Weakness, Opportunity and Threats
WACC	Weighted Average Cost of Capital
YoY	Year on Year

## CHAPTER I VALUATIONS

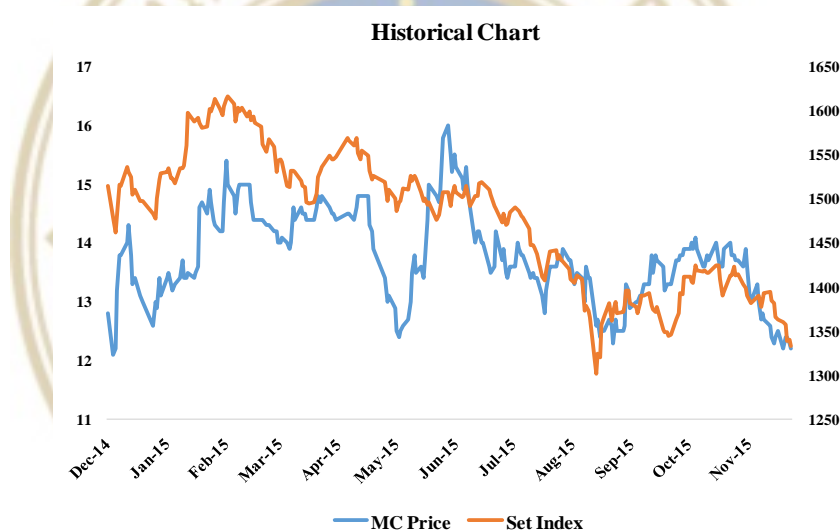
### 1.1 Highlights

Share outstanding (million shares): 800

Free float: 31.72%

#### Price Performance

52 weeks price range: 11.90 – 16.10



**Figure 1.1 MC stock performance**

**Date** 4<sup>th</sup> Dec 2015

**Ticker:** SET:MC

**Recommendation:** BUY

**Price:** THB 12.3

**Target Price:** THB 16.22

**Upside:** 31.83%

- FY14 net profit go down on higher expense for business expansion: MC group reported FY15 net profit of Bt 727.6 mn, down 0.67% y-y, but

sales rose 14.3% y-y on a higher number of stores and same store sales growth. MC group increase 195 point of sales from 624 point of sales in 2013 to 819 point of sales in 2014 —increase 77 free standing shops, 103 stores in modern trade, 4 mobile units and others, and 11 overseas branches. Same-store sales growth was 8% across all shop formats. MC sacrificed near-term profit to fuel growth by stepping up spending on increasing stores, particularly free standing shop, which ramped up depreciation charges, and launching new products. Those factors stimulated SG&A expense sharply higher by 21.6% and then wider SG&A to sales to 32.64% while SG&A to sales in 2013 was 29.87% only.

- Strategies to stimulate future growth: MC Group plan to growth via products strategy and sales channel strategy. MC Group continue expand its products line and promote variety of apparel products to meet customers' need and to serve all ages and types of customers. Currently, MC Group has 8 brands and it just launched new brand in August 2015 to focus on top apparel called McT. MC Group also focus on the store expansion to reach all customers in both urban and upcountry. At the end of 2014 MC Group has 819 point of sales and it plans to increase point of sales around 70 stores per year by focusing on its free standing shop because it is easier for MC Group to manage it own stores.

- Thai consumers behavior tended to become more fashionable and self-caring: As people's lifestyle move to urbanization trend, so apparel products will growth with people's behavior changing to emphasize on their image. This imply that people tend to give priority of their spending for apparel products and they also concern of the value of money that they spend. MC Group produce high quality products so customers can make sure that all money that they spend on MC Group's products are worth.

- MC Group plan to expand into foreign markets when AEC is begin in 2015 to cover countries under AEC and countries in ASEA such as HongKong and South Korea. MC GROUP target to expand to Myanmar, Laos, Vietnam and other countries under AEC such as Indonesia, Malaysia and Cambodia. MC GROUP is seeking for the best business model to expand to those countries not limited into any specific form of businessx, whether in form of direct operation, joint ventures, or sales agent appointment.

- ‘BUY’ rating with THB 15.86 price target A cut in my FCFF forecast drags the price target slightly increase to THB 15.86. Thus, I still rate MC a ‘BUY’ at its current market value after investors digested the struggling earnings in near term.

## 1.2 Financial Summary

**Table 1.1 MC –Key financial indicators**

Financial Summary	2013A	2014A	2015F	2016F	2017F	2018F	2019F
<b>Revenue (THBm)</b>	2,973	3,470	3,747	4,196	4,699	5,262	5,892
<b>Operating Revenue (THBm)</b>	797	756	843	1,006	1,126	1,261	1,412
<b>Net Profit (THBm)</b>	733	728	696	825	920	1,027	1,146
<b>EPS (THB)</b>	0.92	0.91	0.87	1.03	1.15	1.28	1.43
<b>EPS Growth (%)</b>	22.2%	-0.7%	-4.3%	18.6%	11.5%	11.6%	11.6%
<b>ROA (%)</b>	22.01%	14.98%	17.19%	16.96%	16.69%	16.46%	16.26%
<b>ROE (%)</b>	33.12%	19.15%	21.75%	21.86%	21.78%	21.67%	21.54%
<b>D/E (Times)</b>	0.04	0.05	0.10	0.11	0.11	0.12	0.13

## 1.3 Business Description

The brand MC was found since 1975 from manufacturing ready-to-wear jeans by order (OEM) mainly for foreign distributors. Then the company began to manufacture ready-to-wear jeans under its own brand “MC” in 1980. In 2012, the company redesigned and transformed overall organization structures and shareholding structure to support the continuous expansion of the business.

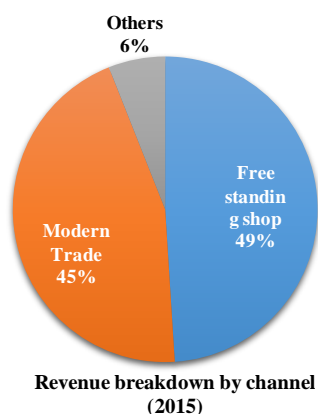
MC GROUP Public Company Limited (MC GROUP) was registered as a limited company on May 23, 2012 with the purpose of incorporation to manage ready-to-wear retailing business and related apparels under its own brands and other brands as well as invest in other companies. The Company later on converted into public company on March 18, 2013 with registered capital of 400 million baht and paid-up capital of 300 million baht which can be divided into 600 million common shares with the par value of 0.50 baht per share.



MC GROUP provides varieties on apparel and lifestyle products to serve customers of all ages and types. MC GROUP will focus on designing and extending product varieties to meet its customers' need for all customer groups. Besides, MC GROUP has a plan to extend into new market segment. In 2014, MC GROUP introduced new lines of products which were "Mc Plus" for customers with certain sizes and "Mc Edition" as business casual style for everyday wear. MC GROUP offers fashion watch brands such as Diesel, DKNY, Emporio Armani through its acquisition of 51% ownership in Time Deco Corporation Limited.

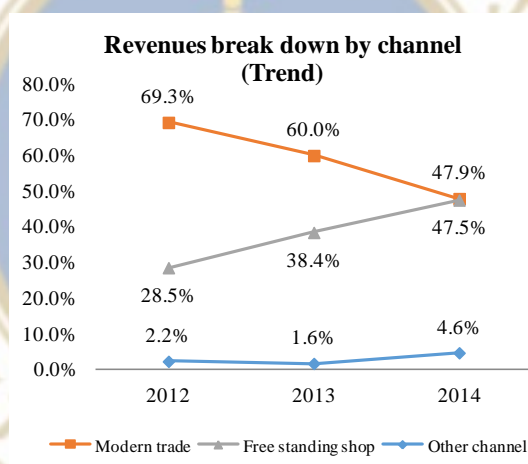
For its core business, MC GROUP manufactures ready-to-wear clothes under its own brand which are separated into many sub brand to target different group of customers. There are several brands that are unique in style and features to respond to different preference of customers which are Mc Jeans, Mc Lady, Bison, MC Pink, Mc Mini, mc mc, The Blue Brothers and watch brand under Time Deco Corporation Limited. MC GROUP's products sell through many channels which are Free Standing Shop, Modern Trade, Mobile Unit and Container, Other domestic channels, Appointed sales agents in foreign markets and Online/Internet channel.

The majority of MC GROUP total sales in 3Q 2015 come from selling to modern trade around 45% of total sales while selling in free standing shop is higher than selling in modern trade at 47% of sales (figure 1.2). While MC GROUP plans to increase selling in its own free standing shop to maintain higher profits and reduce the bargaining power of modern trade customers. In 2014, contribution of revenue from modern trade was 48% and free standing shop was 47% while the revenue contribution in 2015 mainly moves to free standing shop at 49% of total revenue. This situation proves that MC GROUP's strategy of having its own standing shop is a good way to follow. If looking at the trend of revenues contribution by channel (figure 1.3), revenues trend of modern trade are decrease while trend of revenues of free standing shop are dramatically increase as the company's policy to prioritize expand business via free standing shop channel.



Source : Company data

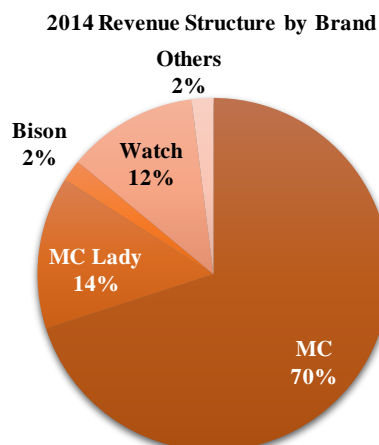
**Figure 1.2 Revenue breakdown by channel**



Source: Company data

**Figure 1.3: Trend of Revenue breakdown by channel**

MC Group's revenue in 2014 break down by brand are as follow (figure 1.4), MC brand contribute 70% of total revenue, MC Lady contribute 14% of total revenue, following by watch at 12% of total revenue, Bison maintain 2% of total revenue and others brand 2% of total revenue.



Source: Company data

**Figure 1.4: Revenue structure by brand**

MC Group generates higher revenues over the five years 2010 to 2014 by product development and store expansion.



Source: Company data

**Figure 1.5: MC's revenue in 2010 - 2014**

### 1.3.1 MC GROUP's current plan and strategies

1.3.1.1 Expand the sales channel nation – wide to reach all customers. MC GROUP sets its sales footprint target to cover all parts of Thailand by increasing the number of free standing shops and points of sales in modern trade venues. Driven by its sales channel expansion strategy, MC GROUP will gain better access to wider groups of customers while make shopping experience more convenient

to the customers. In opening new stores, MC GROUP analyzed all relevant factors including location, population, target customers and purchasing power.

1.3.1.2 Extend product offerings to promote varieties in apparel and lifestyle products in order to strengthen new brands to serve customers of all ages and style.

1.3.1.3 Expand into foreign markets to cover countries under AEC and countries in ASEAN such as Hong Kong and South Korea. MC GROUP targets to expand to Myanmar, Laos, Vietnam and other countries under AEC such as Indonesia, Malaysia and Cambodia. MC GROUP is seeking for the best business model to expand to those countries, whether in form of direct operation, joint ventures, or sales agent appointment.

1.3.1.4 Focus on efficiency improvement in management. MC GROUP believes that process improvement and implementation of information technology are the key to increase production efficiency, distribution effectiveness as well as reduce time-to-market of the products. MC GROUP also recognized that human resource development is a key component to support its business growth in the future.

## **1.4 Macro-Economic Analysis**

**1.4.1 Thailand's GDP for 4Q, 2015** forecasted to growth at 2.2% while in 2016, Thailand's GDP is forecasted to growth by 3.3%. In the last quarter of 2015, Thailand's GDP forecasted to growth at 2.2% due to the economy unmoving in the first half of the year. In 2016, Thailand's GDP has sign to growth at 3.3% as the previous government's policy to stimulate economy provide good results after implemented for some period of time. Political stability is an important factor that retain trust of investors and help to improve Thailand's GDP in 2015.

There are three main factors will boost expansion in 2016. First, private-sector confidence will improve after plunging in the first half of 2015, supporting private consumption and investment. Second, the public investment budget will increase by 20.9% in 2016 which will help to boost up Thai economy. The 2016

investment budget makes up 20% of all government budget, an increase from only 17.5% in 2015. Moreover, the government should be able to smooth out the disbursement process. (Source: SCB Business Outlook)

**1.4.2 Employment/unemployment rate increase** because better economic situation. As mention above that forecasting GDP Q4 2015 and 2016 will increase, employment rate will also increase because of better economic situation especially in tourism section. Employment increasing will impact to apparel market because people will spend more money on luxury products if their wealth is increase.

**1.4.3 AEC (Asian Economics Community)** As 2015 is the year of AEC, the economic cooperation of 10 countries will commence. AEC will transform the region into one big market of around 600 million populations with free movement of goods, services and labors. It would help to increase people's income. With more income, people behavior would change into more urban living style. Consequently, these consumers will change their preference to buy trendy and good quality products.

## **1.5 Industry analysis**

### **1.5.1 Jeans market in Thailand is growing 8.5% a year.**

From the research of Thailand Management Association (TMA), value of jeans market in Thailand in 2013 was 11,416 million THB and jeans market will grow 15% - 20% a year. While proportion of brand and non-brand products is 76% and 24% respectively. In 2014, MC GROUP gain 38%-39% market share in jeans market.

Following the research of Thailand Management Association (TMA) for the growth of jeans market in Thailand at 15% - 20% per year is too high, then I would adjust the growth rate of jeans market in Thailand to be 8.5% by using information of clothing market demand in Thailand during 2011 – 2018 (for 2014 onwards are forecast) from “<http://www.pwccn.com>” by average with the forecast of 20% growth of jeans market in Thailand. In conclusion, the adjusted growth of jeans market in Thailand is around 8.5% a year.



### **1.5.2 Apparel and lifestyle products retail business growing with better economic situation.**

Apparel and lifestyle products will grow along with better economic situation as GDP will increase in 2016 and also increasing in consumers spending.

### **1.5.3 Thai consumers' behavior tended to become more fashionable and self-caring but they also concern of value of money.**

As consumers behavior is likely to move towards as urban living style, the potential that they seek for fashion with high quality products is increasing. Nowadays, people concern about their image so they become more fashionable and self-caring while they are also smarter shoppers as they are seeking on value of money that they spend. MC GROUP's products are relevant and also fashionable, so MC brand will suitable for consumer behavior in recent situation.

### **1.5.4 Apparel and Lifestyle products retail business under AEC**

Since 2015 is the year that AEC (ASEAN Economic Community), the economic cooperation of 10 participating countries will commence. The AEC will transform the region into one big market of 600 million populations with free movement of goods, services, and skilled labor. As working population of ASEAN and their income is trending upwards, their consumption behavior is likely to move towards more urban living lifestyle. Consequently, these consumers present higher potentials to the retailers as they change their preferences to better quality products with better images. Besides, fewer restrictions will result in greater number of tourists that will further fuel border trades and employment.

## **1.6 Competition Analysis**

### **1.6.1 Major Competitors**

1.6.1.1 Levi Strauss and Co. is an American company manufacturer and sell a range of products, including jeans, casual and dress pants, tops



shorts, skirts, jackets, and accessories. Across all of the company's brands, pants (including jeans, casual pants and dress pants) represented approximately 82%, 85% and 86% of its total units sold in fiscal year 2014, 2013 and 2012, respectively.


The Levi's brand represents classic American style and effortless cool and is positioned as the authentic, original and definitive jeans wear brand. Since their inception in 1873, Levi's jeans have become one of the most recognizable garments in the world – reflecting the aspirations and earning the loyalty of people for generations. Its range of leading jeans wear and accessories for men, women and children is available in more than 110 countries, allowing individuals around the world to express their personal-style. Levi's jeans wear offers in a variety of fits, fabrics, styles and price point intended to appeal to a board spectrum of consumers.

1.6.1.2 Lee brand and Wrangler brand belong to VF Corporation which is a leader in branded lifestyle apparel, footwear and accessories. Lee and Wrangler are products that are excellent in terms of comfort and versatility. It is leading in innovation and delivering new products that are propelling the brand forward, while maintaining the relevance in a fast-changing market. Lee and Wrangler believe that comfort is the No.1 factor driving consumers to buy.

At the Wrangler brand that meant creating a four-way flex technology that's 20 percent stronger than regular denim and much more comfortable. Meanwhile, the Lee brand looks to new fabrics and technology to develop jeans for women that move with their active lifestyles. Lee Easy Fit jeans feature a stretch waistband and flexible fabric.

Below table is a summary of products category, target group, product strength and price range of each to see how they are compete in Thai apparel market.

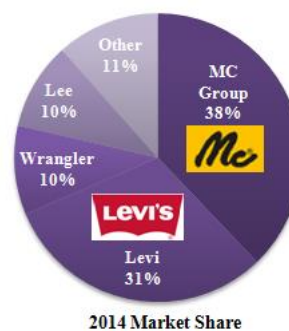
**Table 1.2 : MC – Comparison with competitors**

				
<b>Product category</b>	Apparel and accessories	Apparel and accessories	Apparel and accessories	Apparel and accessories
<b>Target market</b>	All aged	Aged > 35	Women aged 18 - 34	Aged 18 - 34
<b>Product strength</b>	high product quality, affordable prices and fitted designs for Asian customers	the authentic, original and definitive jeanswear brand	Comfort and Fit	comfort and versatility
<b>Price range</b>	THB 700 - THB 2,500	> THB 2,500	THB 1,400 - THB 1,500	THB 700 - THB 2,500

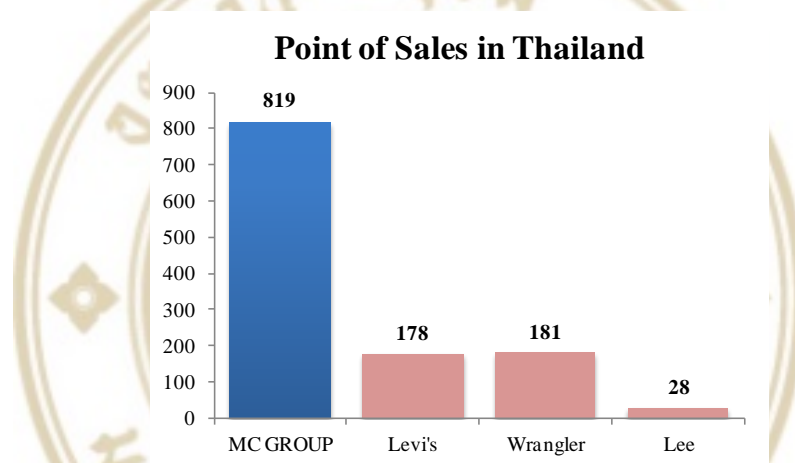
### 1.6.2 MC GROUP is a market share leader in Thailand jeans market.

In the apparel market, there is very intense competitions due to there are many international brand and local brand approach to the market. For jeans market, there are many direct competitors such as Levi, Wrangler, and Lee. While comparing to direct competitors, MC GROUP has highest market share at 38% which higher than the second brand (Levi) who maintain 31% market share. There are many indirect competitors who aren't mainly sales jeans products such as Uniqlo and H&M that entrance into Thailand to catch the same target group as MC GROUP.

Even non brand jeans product maintain quite high market share around 11% but MC GROUP's products are able to compete with non brand because MC Group's products are differentiate with its design and better quality with reasonable price.

**Figure 1.6 : Jean's market share in 2014**

**1.6.3 Highest number of point-of-sales to cover all regions in Thailand and increase products visibility and availability.** In terms of store location and point of sales, both direct and indirect competitors are located in Modern Trade in urban areas such as Central Department Store, Robinson and The Mall while MC GROUP provide many point of sales which increase distribution channels of MC GROUP. MC GROUP provides highest number of point of sales at 819 stores in both urban and rural areas while competitors provided around 200 stores and focusing on urban areas. Point of sales or store is an important product distribution channel, many stores meaning that higher opportunity to sell products because store help to increase products visibility and easy to buy.

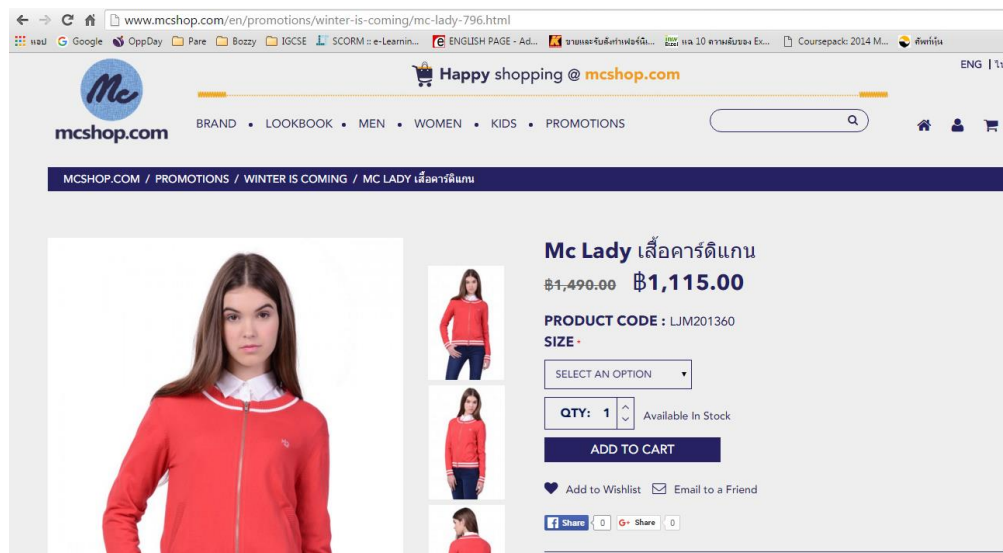


Source : <http://www.levisthailand.com/>, <http://www.wrangler-ap.com/>, Company data

**Figure 1.7 : Point of Sales in Thailand in 2014**

**1.6.4 E-commerce is a new channel that would help the company increase ability to reach customers.** Nowadays, buying and selling online is becoming significant selling channel in Thailand because people lifestyle is changing to urbanization and many people prefer to buy products online because of convenience and time saving. MC Group concern about e-commerce so it provides [www.wowme.co.th](http://www.wowme.co.th) and <http://www.mcshop.com/> since Jun 2013 as a main online selling channel of MC Group' products and it also selling products via another online channel such as [www.lazada.com](http://www.lazada.com) or Central online ([www.central.co.th](http://www.central.co.th)). E-commerce isn't yet generates high proportion of revenue (around 1% of total revenue) for the

company but it is a channel that would distribute significant portion of sales in the near future.



**Figure 1.8 : Sample of MC e-commerce page**

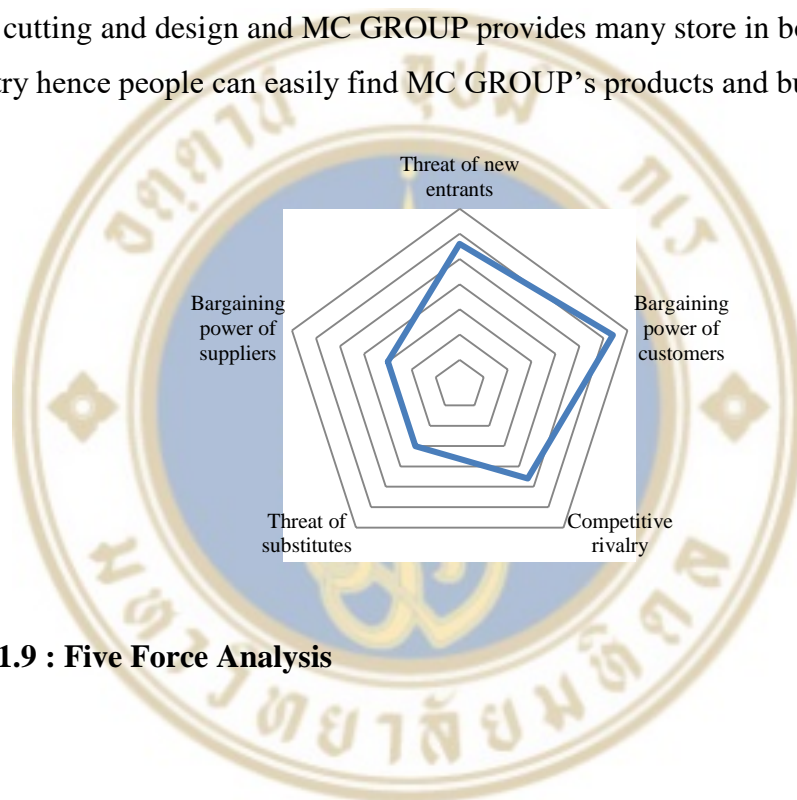
While other direct competitors such as Levi's, Wrangler and Lee haven't sell products via their own online store but they provide products other online website such as www.lazada.com and www.central.co.th which those channels aren't efficient as own store that focus on selling only their own products.

### **1.6.5 MC is brand and cost effective company**

As MC realized that an apparel market in Thailand is intense competition, due to there are many competitors from foreign countries, non brand products and also competitors in Thailand approach this market and also there are very few obstacle to enter into an apparel market. Additionally, those competitors have the same target customers and distribution channels such as modern trade or free standing shop. Therefore, MC Group focusing on brand building to differentiate itself from other competitors, attractive and reputation. As MC Group stay in this business for almost 40 years, it has strong raw material sourcing, well-managed logistics and product designs and a high production efficiency company with competitive production costs.

**1.6.6 Five Force Analysis** From the Porter Five Force's analysis the competitive environment isn't too competitive. As MC GROUP has high demand of

materials to produce its apparel, so the suppliers have low bargaining power and there are many suppliers that supplies cottons in the market. The apparel market is easy to entry because there is few barriers so the threat of new entrants are things to concern. As MC GROUP's products are mostly sold to modern trade customers, so they have quite high bargaining power while MC GROUP try to increase number of its free standing shop. As jean is the apparel that is popular for long time and jean's options are different from other apparels, thus threats of substitutes are not strong. The competitive rivalry is moderate as MG GROUP's products are differentiate at the quality, cutting and design and MC GROUP provides many store in both Bangkok and upcountry hence people can easily find MC GROUP's products and buy it.



**Figure 1.9 : Five Force Analysis**

## 1.7 Investment Summary

With my analysis and assumptions, I expect an upside gain of 28.91% at the target price of 15.86 THB, under the DCF model (10.85% WACC, 8% growth in 2015 and 11.98% growth for 4-year and 3.32% terminal growth). I am positive in MC position in regards to the company's strategy, economy and apparel market and I recommend a BUY investment move.



### 1.7.1 MC Group continuing expands the sales channel nation-wide to reach all customers

MC Group plan expand the sales channel in Thailand by increasing number of free standing shops, point of sales in modern trade stores and also online channel via [www.wowme.co.th](http://www.wowme.co.th). At the end of 2014 MC Group had 819 point of sales and plan to expand 70 point of sales per year by focus on free standing shops because it is more flexibility to manage owned shop and inventory, easier to distribute products, higher profitability and effective cash cycle management.

Having more point of sales mean MC Group will be better reach to wider groups of customers and customers will convenient to shopping at MC Group's point of sales. While opening new stores, MC Group analyzes all related factors such as location, population, target customers and purchasing power.

**Table 1.3 : MC's point of sales in 2014**

End of 2014 # Point of Sales					
819					
Brand	Free-Standing	Modern Trade	Mobile unit	Inf'l	Total
Me	201	436	5	16	658
McLady	17	10			27
McPINK	8	7			15
Me (S.M.)	0	18		5	23
Mc (S.M.)	3	1			4
me (S.M.)	3	0			3
timedeco	19	70			89
<b>Total</b>	<b>251</b>	<b>542</b>	<b>5</b>	<b>21</b>	<b>819</b>

Source : Company data

### 1.7.2 MC Group expand into Lifestyle retailing

MC GROUP strongly believes in the growth potential of lifestyle product and apparel retail business as well as other inherent business opportunities that may arise. So MC Group plans to expand its products line into lifestyle retailing such as McT (Tops), Accessories and Luggage.



### 1.7.3 Expand into foreign markets to cover all countries under Asian Economic Community (AEC)



MC Group appointed sales agents in Myanmar, Laos and Vietnam for expanding MC brand into those countries. MC Group targets to expand further to other markets under AEC including Indonesia, Malaysia as well as Cambodia. Bearing in mind the unique ways of doing business and associated risks in respective countries, MC GROUP will consider the best possible business models to expand into these countries, either in forms of direct operation, joint ventures with business partners or sales agent appointment.

### 1.7.4 Seek M&A opportunities or joint ventures opportunities with business partners.

MC GROUP is still active in searching for M&A and joint venture opportunities in related businesses such as searching for manufacturers who are expertise in the areas of products that MC need to produce to gain cost effectiveness and high product quality and design. MC is finding opportunities from shop owners in foreign market to expand its products into foreign market. The company focuses on both domestic and foreign businesses with clear synergies that support the company's expansion to ASEAN countries under proper investment and return conditions.

### **1.7.5 Emphasize on efficiency improvement in management**

MC GROUP put importance on all of its business units from raw material sourcing, production line management, finished product management to product distribution. Process improvement and implementation of information technology are key to enhance production efficiency, distribution effectiveness as well as reduce time-to-market of the products. In addition to the stated strategies, MC GROUP recognized that human resource development is a key catalyst in supporting its business growth. MC Group's human capital strategy covers talent acquisition to competency development to promote career advancement in the organization. Additionally, fair compensation and benefits management and transparent performance management are also stressed to engage and incentivize the employees.

## **1.8 Valuation**

**MC Group valuation using the Discounted Cash Flow model: FCFE model** in order to find the reasonable value of MC Group's stock price because it produces the closest thing to an intrinsic stock value.

### **1.8.1 Discounted Cash Flow Model: FCFE**

As MC Group grow follows the industry, company expansion and economy, I would use this method to find the appropriated stock price for MC Group. MC Group has moderate growth at 8% in year 2015 due to economic slowdown while expected to has high growth again during 2016 to 2019 average at 11.98% and the constant growth rate after year 2019 at 3.3%. The target price of MC Group is THB18.88 per share.

## 1.8.2 Projected Cash Flow and Assumptions

**Table 1.4 : Summarize related factor of Discounted Cash Flow Model**

	2015F	Year 2016 to 2019	TV
Sales growth	8.00%	11.98%	3.32%
COGS to Sales (%)		48.00%	
SGA to Sales			
Selling/General/Administrative Expense		15.19%	
Labor & Related Expense		13.55%	
Advertising Expense		0.82%	

### 1.8.2.1 Revenue growth rate

As the resulted of the company's 9 months 2015 was released, sales growth rate YoY is 8% which quite low because of slow economy and it need more time to recover so to be conservative I expected the company sales growth for year 2015 would we equal to 9 months in 2015 sales growth at 8%.

For sales growth since 2016 to 2019, I expected the company will has the average sales growth at 11.98% which calculate from previous year same store sales growth and number of store expansion during 2016 to 2019. The same store sales growth in 2014 was 8.1% so I expected that same store sales growth in 2016 will be the same and same store sales growth in 2017 to 2019 will decline by 10% from 2016 to 7.29% in 2017 to 2019 because when time passes growth rate would be slower as the base of revenue is bigger than when the store just opened. For the store expansion, I saw the number of stores expansion during 2012 to 2015 and found that in 2013 and 2014 the amount of stores expansion was very high by 113 point of sales in 2013 and 195 point of sales in 2014 then number of point of sales increase slower in 2015 at 38 point of sales to be 857 stores.

While the company expected to expand point of sales around 70 stores since 2015 but it cannot afford the target so I would expect lower number of point of sales from the target to be almost equal to point of sales growth in 2015 at 40 stores.

Thus sales growth from 2016 to 2019 are computed as below table and I use average sale growth from 2016 to 2019 to calculate sales for high growth period at 11.98%. For constant sale growth using to calculate terminal value, I used historical GDP growth rate since year 2010 to 2014 to find average GDP over 5 years and the average GDP that I will use as a constant growth rate is 3.58%.

**Table 1.5 : Constant growth from average GDP over 5 years**

	2010	2011	2012	2013	2014
<b>GDP (%)</b>	7.8	0.1	6.4	2.9	0.7
<b>Average GDP (%)</b>	3.58				
Source: <a href="http://www.nesdb.go.th/">http://www.nesdb.go.th/</a>					

**Table 1.6 : No. of point of sales to forecast growth rate**

No. of point of sales	2012	2013	2014	2015
Free standing shop	117	174	251	281
Modern Trade	394	439	542	548
Mobile unit and container	-	1	5	5
<b>Subtotal-domestic point of sales</b>	<b>511</b>	<b>614</b>	<b>798</b>	<b>834</b>
Point of sales in foreign market	-	10	21	23
<b>Total</b>	<b>511</b>	<b>624</b>	<b>819</b>	<b>857</b>
<b>Increasing no. of store</b>		<b>113</b>	<b>195</b>	<b>38</b>

**Table 1.7 : Sales growth rate**

	2016F	2017F	2018F	2019F	Average
<b>Sales growth</b>	<b>12.90%</b>	<b>11.87%</b>	<b>11.67%</b>	<b>11.48%</b>	<b>11.98%</b>
Same store sales growth	8.10%	7.29%	7.29%	7.29%	7.49%
Store expansion	4.80%	4.58%	4.38%	4.19%	4.49%

1.8.2.2 Proportionate cost of sales and selling and administrative expense to sales

For the cost of sales, I calculate by using average percentage cost of sales to sales in the last 5 years which is 48% of sales. For selling and administrative expenses, I differently calculate it by separate it into 3 parts which are

selling and general expense, labor and related expenses and advertising expense. For selling and general expenses, it is calculated by averaging the percentage of selling and general expense to sales over past 5 years which is 13.81%. The average percentage of labor and related expenses to sales is 14.80% over five years but the company expenses related to labor costs over the 5 years are the expenses that the company wants to be ready for the future business expansion. So it implies that this expenses growth faster than revenue growth rate. When the company hire almost enough people for business expansion, percentage of this expenses to sales will be decline so I decrease percentage of labor and related expense to 13.55% of sales. The advertising expenses to sales for costs projection is 0.9% of sales which I expected that it will slightly increase from the average advertising cost to sales over 5 years because of intense competition in the apparel market.

### 1.8.2.3 Weighted Average Costs of Capital

I use the weighted average of the market value of equity and book value of debt to calculate WACC for MC Group. The cost of debt was determined by comparing the current percentage of interest expense to 2 years average interest bearing debts, which is around 7.5% before tax, with the weighted average cost of debt from the short term debts, capital leases and long term bank loan. Considering tax 20%, I calculate calculate After-tax Kd equal to 6.0%

Then calculation of the cost of equity, I use the risk-free rate at 2.88% from 10 year government bond, the market risk premium at 8.15% based on Moody's rating and adjust with relative equity market volatility from Damodaranand. For Beta, I use information from [www.set.or.th](http://www.set.or.th) at 1.18 for YTD beta of MC Group. To get costs of equity, I calculate it by using CAPM model. Therefore, the cost of equity is 11%. The weighted average cost of capital equal to 9.2%.

In conclusion, the table below summarizes all related input needed to calculate discounted cash flow model (FCFF).



**Table 1.8 : Kd (1-tax), Ke, WACC and Beta**

<b>Kd (1-tax)</b>	6.0%
<b>Ke</b>	12.5%
<b>WACC</b>	10.8%
<b>Beta</b>	1.18

The calculation of working capital in order to find net change in working capital and the CAPEX.

**Table 1.9 : Change in net working capital and CAPEX**

	2014A	2015F	2016F	2017F	2018F	2019F
<b>WC (CA-CL)</b>	3,071.00	3,201.61	3,357.29	3,524.25	3,710.34	3,917.86
<b>CAPEX</b>	107.40	35.38	57.85	64.78	72.54	81.23

The result of stock price for MC Group shown as below at 16.22 THB per stock.

**Table 1.10 : Discounted Cash Flow Model : FCFF**

FCFF estimation (THB million)	2015F	2016F	2017F	2018F	2019F
Sales	3,747	4,196	4,699	5,262	5,892
Less : COGS	(1,799)	(2,014)	(2,256)	(2,526)	(2,828)
Less : SGA	(1,106)	(1,176)	(1,317)	(1,475)	(1,652)
<b>EBIT</b>	<b>843</b>	<b>1,006</b>	<b>1,126</b>	<b>1,261</b>	<b>1,412</b>
Less: Taxes on EBIT	(169)	(201)	(225)	(252)	(282)
<b>NOPAT</b>	<b>674</b>	<b>805</b>	<b>901</b>	<b>1,009</b>	<b>1,130</b>
Add: Depreciation	61	100	112	126	141
Less: Changes in NWC	131	156	167	186	208
Less: Capital expenditure	35	58	65	73	81
<b>FCFF</b>	<b>569</b>	<b>691</b>	<b>781</b>	<b>876</b>	<b>982</b>
<b>Discounted FCFF</b>					
<b>Terminal Value</b>					<b>13,956</b>
<b>Net FCFF</b>	<b>569</b>	<b>691</b>	<b>781</b>	<b>876</b>	<b>14,938</b>
<b>EV</b>	<b>11,156.26</b>				
(+)Non-operating assets	2,002.10				
(-)value of debt	185.60				
<b>value of equity</b>	<b>12,972.76</b>				
number of shares	800.00				
<b>Price of stock</b>	<b>16.22</b>				

### 1.8.3 Sensitivity Analysis

I also find the sensitivity analysis to see range of possible price in case that the weighted cost of capital (WACC) and the constant growth rate change. WACC that use in the calculation is 10.85% and the constant growth rate is 3.58%, if those 2 factors changed, how they will impact to the target price of MC stock.

As I range the possible WACC from 5.00% to 15.00% and the constant growth rate from 0.5% to 6.5%, the possible target price range between THB10.79 to THB 78.55.

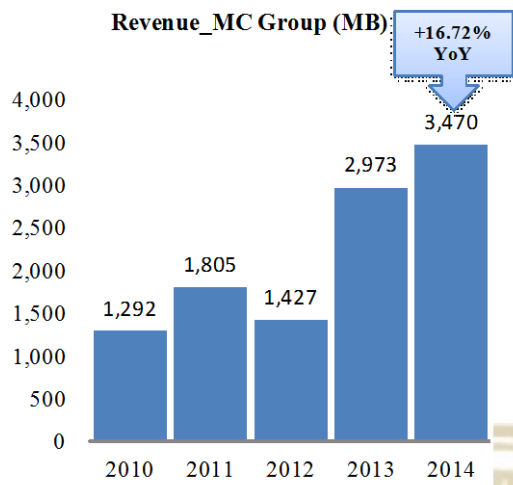
**Table 1.11 : Sensitivity Analysis**

	WACC	Growth											
		0.5%	1.0%	1.5%	2.0%	2.5%	3.3%	3.6%	4.0%	5.0%	5.5%	6.0%	6.5%
	5.00%	74.49	74.83	75.17	75.50	75.84	76.40	76.57	76.86	77.54	77.87	78.21	78.55
	6.00%	44.40	44.59	44.78	44.97	45.16	45.47	45.56	45.72	46.10	46.29	46.48	46.67
	7.00%	31.91	32.04	32.17	32.29	32.42	32.63	32.70	32.80	33.06	33.19	33.32	33.44
	8.00%	25.08	25.17	25.26	25.36	25.45	25.61	25.66	25.74	25.93	26.02	26.12	26.21
	9.00%	20.77	20.84	20.91	20.99	21.06	21.18	21.22	21.28	21.43	21.50	21.58	21.65
	10.85%	15.93	15.98	16.03	16.08	16.13	16.22	16.24	16.28	16.39	16.44	16.49	16.54
	10.00%	17.80	17.86	17.92	17.98	18.04	18.14	18.17	18.22	18.34	18.40	18.46	18.52
	11.00%	15.64	15.69	15.74	15.79	15.84	15.92	15.94	15.98	16.08	16.13	16.18	16.23
	12.00%	13.99	14.03	14.08	14.12	14.16	14.23	14.25	14.28	14.37	14.41	14.45	14.49
	13.00%	12.70	12.73	12.77	12.80	12.84	12.90	12.92	12.95	13.02	13.05	13.09	13.12
	14.00%	11.65	11.68	11.71	11.74	11.77	11.82	11.84	11.87	11.93	11.96	11.99	12.02
	15.00%	10.79	10.82	10.84	10.87	10.90	10.94	10.96	10.98	11.03	11.06	11.08	11.11

## 1.9 Financial Analysis

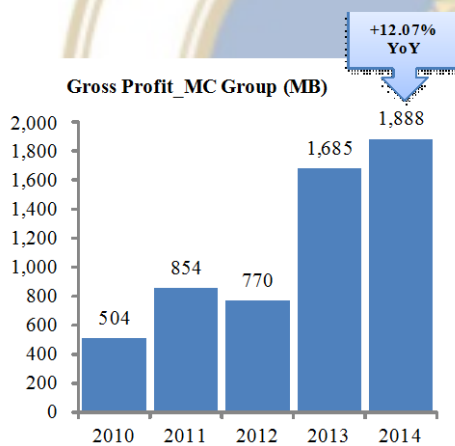
### 1.9.1 Profit and Loss statement:

Number of store increase from 624 stores in 2013 to 819 stores in 2014 or point of sales growth 31.3% and products enhancement cause increase in revenues to THB 3,469.8 million in 2014, 16.72% YoY and gross profit to THB 1,881 million, 12.07% YoY. Gross profit growth 12.07% YoY to THB 1,881 Million in 2014. Since 9 months sales YoY growth in 2015 was only 8%, I expect sales growth of 8% YoY for 2015 as equal to 9 months performance released of the company.



Source : Company Data

**Figure 1.10 : Revenue of MC Group (2010 – 2014)**



Source : Company Data

**Figure 1.11 : Gross profit of MC Group (2010 – 2014)**

**Table 1.12 : Income Statement of MC Group (2010 – 2014)**

<b>Income Statement</b>					
<b>Annual Standardised in Millions of Thai Baht</b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Revenue	3,469.8	2,972.8	1,427.0	1,804.5	1,291.6
Cost of Revenue, Total	(1,581.6)	(1,288.1)	(656.8)	(950.0)	(787.3)
<b>Gross Profit</b>	<b>1,888.1</b>	<b>1,684.7</b>	<b>770.3</b>	<b>854.4</b>	<b>504.3</b>
Selling/General/Admin. Expenses, Total	(1,151.1)	(901.8)	(391.8)	(427.5)	(354.9)
Other Operating Expenses, Total	18.6	13.9	2.8	4.9	6.2
<b>Operating Income</b>	<b>755.6</b>	<b>796.8</b>	<b>381.2</b>	<b>431.9</b>	<b>155.6</b>
Interest Inc.(Exp.),Net-Non-Op., Total	43.2	12.8	(11.0)	(8.0)	(12.5)
<b>Net Income Before Taxes</b>	<b>798.8</b>	<b>809.7</b>	<b>377.4</b>	<b>427.4</b>	<b>150.1</b>
Provision for Income Taxes	(71.2)	(77.3)	(59.1)	(128.5)	(45.2)
<b>Net Income After Taxes</b>	<b>727.6</b>	<b>732.5</b>	<b>318.3</b>	<b>298.8</b>	<b>104.9</b>
Minority Interest	(16.0)	1.0	0.0	0.0	0.0
<b>Net Income</b>	<b>711.6</b>	<b>733.4</b>	<b>318.3</b>	<b>298.8</b>	<b>104.9</b>

Source : Company Data

Revenue of MC Group further growing over 5 years and revenues in 2014 growth 16.72% YoY due to the company's effort to expand point of sales in vary channels both modern trade shopping center and also free standing shops and the company also pay attention to increasing products diversification to approach new group of customers such as big size group, premiums, lady and kids. Both number of stores expansion and products enhancement and development are major factors to improve the company's revenues. Together with new generation of people who has their own income are those who concern about trend, fashion and lifestyle so this is another factor that causes the company's revenues dramatically increase over past 5 years.

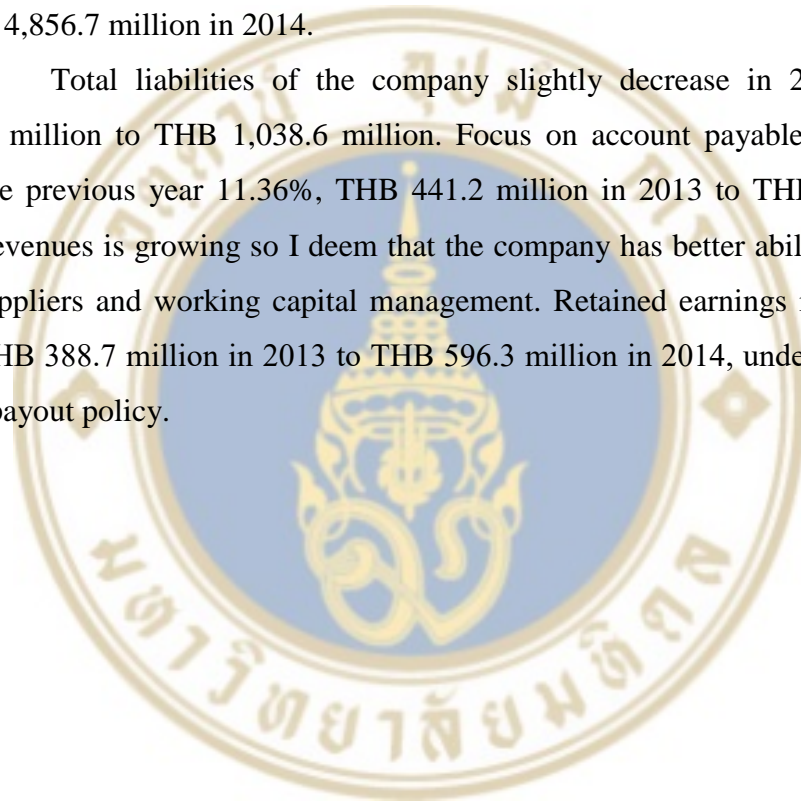
Gross profit also increase over 5 years and growth 12.07% YoY because of revenues growth and improving of cost management and product efficiency. As well as, MC Group has strategy to manage its production costs, raw material costs, logistic costs and other related operation costs to efficiency manage its costs but also remain high quality of products.

### 1.9.2 Balance Sheet

MC's cash and short term investment decreased by 5.17% in 2014 , THB 1,698.9 million, because of investing activities and financing activities. Account

receivable also decreased by 14.83% from THB 760.7 million in 2013 to THB 647.9 million in 2014, it seems that account receivable management of the company is more efficient in 2014 because revenues growth by 16.72% which go on opposite direction with account receivable. In case that there is no improvement of accounts receivable management, it should increase in the same trend of revenue increasing together with number of free standing shops increasing which improve revenues but not increase accounts receivable. While inventory increases in the same direction with sales around 12.72% in 2014. Overall total assets grow by 4.4% from THB 4,652.2 million in 2013 to THB 4,856.7 million in 2014.

Total liabilities of the company slightly decrease in 2014 from THB 1,038.6 million to THB 1,038.6 million. Focus on account payable which increase from the previous year 11.36%, THB 441.2 million in 2013 to THB 491.3 million, while revenues is growing so I deem that the company has better ability to negotiated with suppliers and working capital management. Retained earnings increase 53.41% from THB 388.7 million in 2013 to THB 596.3 million in 2014, under the company's yearly payout policy.





**Table 1.13 : Balance Sheet of MC Group (2010 – 2014)**

	2014	2013	2012	2011	2010
<b>Assets (THB Millions)</b>					
Cash and Short Term Investments	1,698.9	1,791.6	157.7	138.2	127.2
Total Receivables, Net	647.9	760.7	677.1	544.6	396.1
Total Inventory	1,536.2	1,362.8	779.4	541.2	233.0
Prepaid Expenses	--	31.1	9.6	2.9	1.3
Other Current Assets, Total	69.1	7.1	6.0	2.5	3.1
<b>Total Current Assets</b>	<b>3,952.1</b>	<b>3,953.3</b>	<b>1,629.8</b>	<b>1,229.5</b>	<b>760.6</b>
Property/Plant/Equipment, Total - Net	447.6	340.2	232.2	153.6	128.6
Goodwill, Net	107.8	107.8	--	--	--
Intangibles, Net	115.1	10.4	3.9	6.5	2.5
Other Long Term Assets, Total	234.2	240.5	147.3	61.1	48.6
<b>Total Assets</b>	<b>4,856.7</b>	<b>4,652.2</b>	<b>2,013.3</b>	<b>1,450.7</b>	<b>940.4</b>
<b>Liabilities (THB Millions)</b>					
Accounts Payable	491.3	441.2	288.0	358.0	192.2
Accrued Expenses	103.5	150.7	123.0	76.3	49.6
Notes Payable/Short Term Debt	181.0	127.5	250.0	262.6	240.9
Current Port. of LT Debt/Capital Leases	1.1	1.7	--	0.6	1.3
Other Current liabilities, Total	104.2	181.5	194.8	167.6	69.6
<b>Total Current Liabilities</b>	<b>881.1</b>	<b>902.7</b>	<b>855.8</b>	<b>865.0</b>	<b>553.5</b>
Total Long Term Debt	3.5	3.9	300.0	0.0	0.6
Minority Interest	106.2	87.8	0.0	0.0	0.0
Other Liabilities, Total	47.3	44.3	41.8	29.1	28.5
<b>Total Liabilities</b>	<b>1,038.1</b>	<b>1,038.6</b>	<b>1,197.6</b>	<b>894.2</b>	<b>582.7</b>
<b>Shareholders Equity (THB Millions)</b>					
Common Stock	400.0	400.0	300.0	300.0	300.0
Additional Paid-In Capital	2,824.9	2,824.9	--	--	--
Retained Earnings (Accumulated Deficit)	596.3	388.7	515.7	256.6	57.7
Other Equity, Total	(2.6)	--	--	0.0	0.0
<b>Total Equity</b>	<b>3,818.6</b>	<b>3,613.6</b>	<b>815.7</b>	<b>556.6</b>	<b>357.7</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>4,856.7</b>	<b>4,652.2</b>	<b>2,013.3</b>	<b>1,450.7</b>	<b>940.4</b>

Source : Company Data

### 1.9.3 Common Size Analysis

#### 1.9.3.1 Compare with competitors: Income Statement

For common size analysis of MC Group, Levistrauss & Co. and VF Corporation, MC Group has lower cost of goods sold comparing to Levistrauss and VF Corporation as 45.58%, 50.6% and 51.2% respectively. The cost of goods sold impact to company's gross profit while MC Group maintain gross profit margin at 54.42% which higher than Levistrauss and VF Corporation. Selling, general and

administrative expenses is 33.17% for MC Group which lower than both competitors and net income of MCGroup, LeviStrausee and VF Corporation is 20.97%, 2.19% and 8.53% of sales respectively. In conclusion, MC Group is better control over costs since costs of goods sold through interest expenses compare to LeviStrauss and VF Corporation which those costs impact to the net income of each company.

**Table 1.14 : Income Statement Annual Common Size of MC Group and competitors**

<b>Income Statement</b>			
<b>Annual Common Size (% of Sales)</b>	<b>MC Group</b>	<b>LeviStrauss &amp; Co.</b>	<b>VF Corporation</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>
Total Revenue	100.00%	100.00%	100.00%
Cost of Goods Sold	45.58%	50.60%	51.20%
<b>Gross Profit</b>	<b>54.42%</b>	<b>49.40%</b>	<b>48.80%</b>
Selling/General/Admin. Expenses, Total	33.17%	40.10%	33.87%
Other Operating Expenses, Total	(0.54%)	0.00%	0.00%
<b>Operating Income</b>	<b>21.78%</b>	<b>6.60%</b>	<b>11.71%</b>
Interest Expense, Net Non-Operating	(0.18%)	(2.47%)	(0.71%)
Interest/Invest Income - Non-Operating	1.42%		
<b>Net Income Before Taxes</b>	<b>23.02%</b>	<b>3.24%</b>	<b>11.01%</b>
Provision for Income Taxes	2.05%	(1.04%)	(2.48%)
<b>Net Income</b>	<b>20.97%</b>	<b>2.19%</b>	<b>8.53%</b>

Source : Company Data

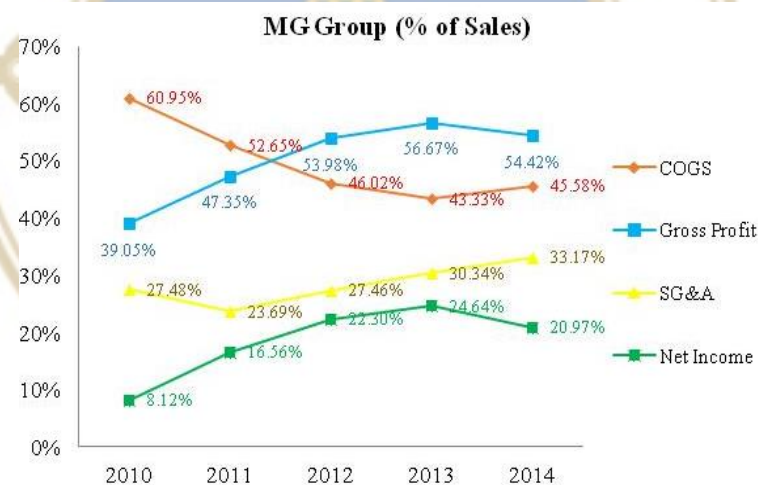
### 1.9.4 Trend Analysis

#### 1.9.4.1 Income Statement

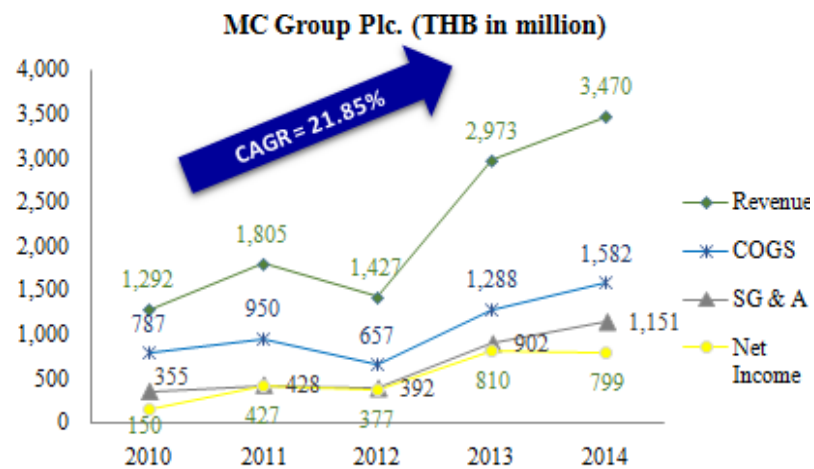
During year 2010 to 2014, the company revenues trend is increasing and cost of goods sold also increase in related with revenues increasing but cost of goods sold increasing slower than rate of revenue increasing. So better costs management will impact to better net income that the company generated. While the CAGR was approximately at the rate of 21.85%.

Revenue trend increases since year 2010 to 2014 due to point of sales increasing, the same store sales growth and product enhancement and development. While cost of goods sold also increase in the same trend of revenue but

cost of goods sold increase with slower rate than revenue which we can look at percent cost of goods sold from sales decline since year 2010 to 2014 from 60.95% to 45.58% which go by the opposite direction of revenue, so the company has better management of cost of goods sold during 5 years and also continuing to improve costs management. Selling, general and administrative expenses increase over 5 years in related with revenue but it grow faster than revenues as its percentage to sales in 2010 was 27.43% and slightly increase to 33.17% in 2014 because the company invest in human resources to make sure that the company will ready for the future business expansion and also spending in advertising to increase brand awareness and reputation. Net income in 2014 slightly drop from 2013 from THB 810 million to THB 799 million and net profit margin also drop from 24.64% in 2013 to 20.97% in 2014 because percent of selling, general and administrative expenses to sales increase since 2012 to 2015.



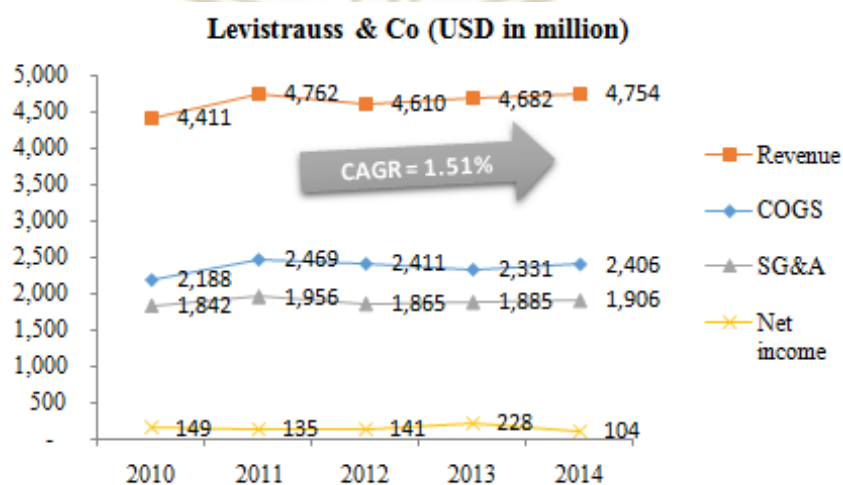
**Figure 1.12 : Common Size Analysis (2010 – 2014)**



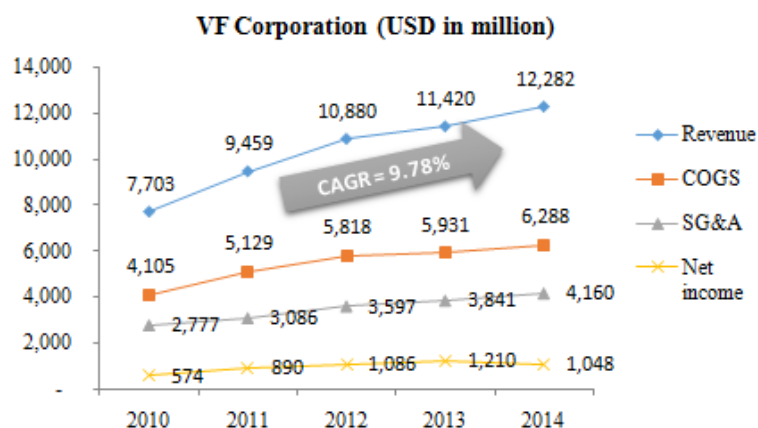
**Figure 1.13 : Trend Analysis of MC Group (2010 – 2014)**

For Levi Strauss & Co., the CAGR of revenue from 2010 to 2014 was 1.51% which is quite stable over five years. However, the scale of Levi Strauss & Co. is bigger than MC Group in terms of revenue because it sells products worldwide while MC Group is expanding its business to other regions starting in the Asia region. While the CAGR of revenue of VF Corporation over the 5 years is 9.78% with the biggest scale of revenue compared to MC Group and Levi Strauss & Co., while comparing these two companies with MC Group, MC Group has a very high CAGR of revenue at 21.85%. Cost of goods sold, SG&A and Net income of Levi Strauss and VF

Corporation are increasing or decreasing in the same trend of revenues and both competitors maintain very slow growth over 5 years.



**Figure 1.14 : Trend Analysis of Levi Strauss & Co. (2010 – 2014)**



**Figure 1.15 : Trend Analysis of VF Corporation (2010 – 2014)**

#### 1.9.4.2 Balance Sheet

For the balance sheet of MC Group, I pick up some items which are Accounts receivable, Inventory, PPE and Account payable to link them with the sales of the company. For Account receivables, MC Group maintains lower level of accounts receivable in 2014 comparing to 2013 even revenues increasing. CAGR of accounts receivable is 10.34% which lower than CAGR of revenue (21.85%). This means the company's account receivable is improved from the history which will impact to the company working capital. But the company's inventory increase too much during 2013 and 2014 with the CAGR over five years of 45.82% because it plan very high growth of customers demand. Then it plan to manufacture products to cover demand forecast in 2014 but unfortunately, economic downturn in 2014 because of agriculture product price-led economic slowdown and unsatisfactory export growth together resulted in deceleration in private and household spending. While apparel, lifestyle products and retail business could not avoid this economic downward pressure. But jeans is a products that has long life cycle so high inventory will not be a major problems because those products are able to sell or I would say in another word that jeans isn't obsolete products.

MC Group also concern about high level of inventory so it try to reduce inventory onward and try to maintain inventory at proper level. While the CAGR of accounts payable is 20.65% which almost the same with revenues and accounts payable's CAGR is quite high implies that the company has higher



bargaining power with suppliers. Lastly, the CAGR of PPE is 28.33% which come from the company's strategy to expand points of sales to cover all regions in Thailand and also expand into foreign market especially AEC region.

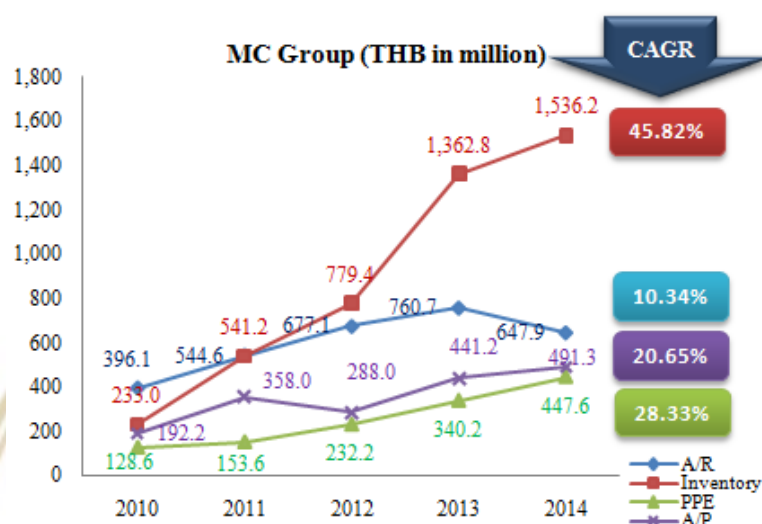


Figure 1.16 : Trend Analysis of MC Group's balance sheet (2010 – 2014)

For Levistrauss & Co. and VF Corporation, CAGR of accounts receivable, accounts payable, inventory and PPE are rely with the CAGR of their revenues which are 1.51% and 9.78% respectively. Both of them are slow growth and has very few business expansion.

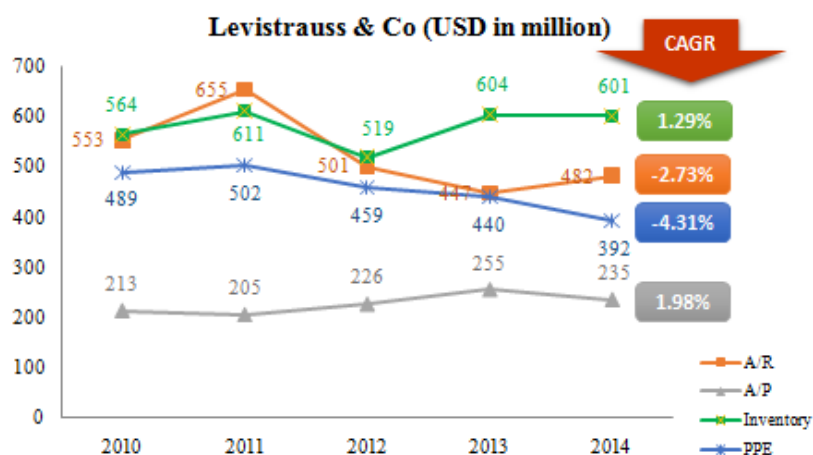
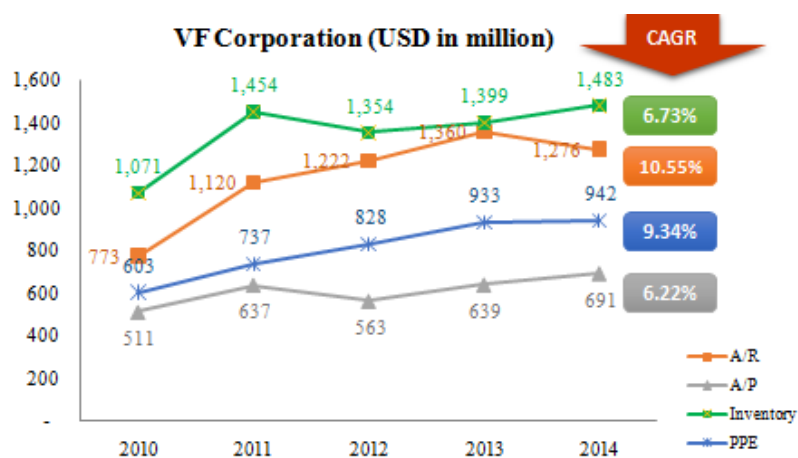


Figure 1.17 : Trend Analysis of Levistrauss & Co's balance sheet (2010 – 2014)



**Figure 1.18 : Trend Analysis of VF Corporation's balance sheet (2010 – 2014)**

## 1.9.5 Financial Ratio Analysis

### 1.9.5.1 Return

I compared Profitability ratio by using gross profit margin, EBIT margin and Net profit margin between MC Group, Levi Strauss&Co. and VF Corporation during the past 5 years since 2010 to 2012.

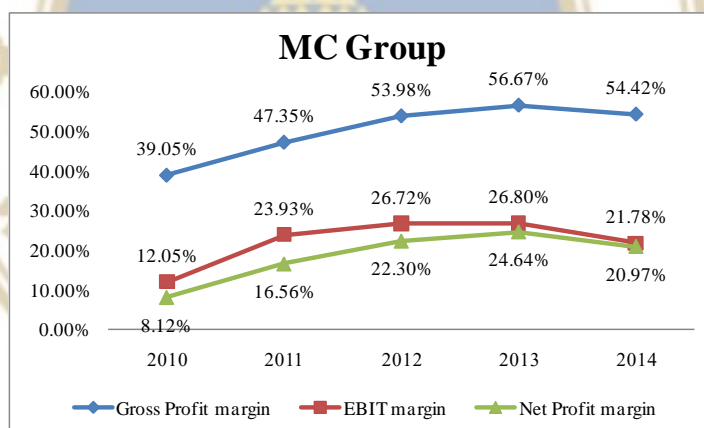
MC Group's gross profit margin is around 52%, Levi Strauss is 49.16% and VF Corporation is 47.3% over the past 5 years. While gross profit margin of MC Group slightly increase from 39.05% in 2010 to 54.42% in 2014 because MC Group able to reduced cost of goods sold by maintain economies of scale but gross profit margin of Levi Strauss and VF Corporation are constant over 5 years.

EBIT margin of MC Group is average very high comparing to Levi Strauss and VF Corporation, average EBIT margin of MC Group, Levi Strauss and VF Corporation are 23%, 7.89% and 12.79% respectively. EBIT margin of Levi Strauss and VF Corporation are stable over five years and slightly dropped in 2014 while EBIT margin of MC Group is growing over five years from 12.05% in 2010 to 21.78% in 2014. As MC Group is preparing the company for business expansion so the company increase employees for further expansion and also expenses of selling activities so EBIT margin was dropped from 26.8% in 2013 to 21.78% in 2014.

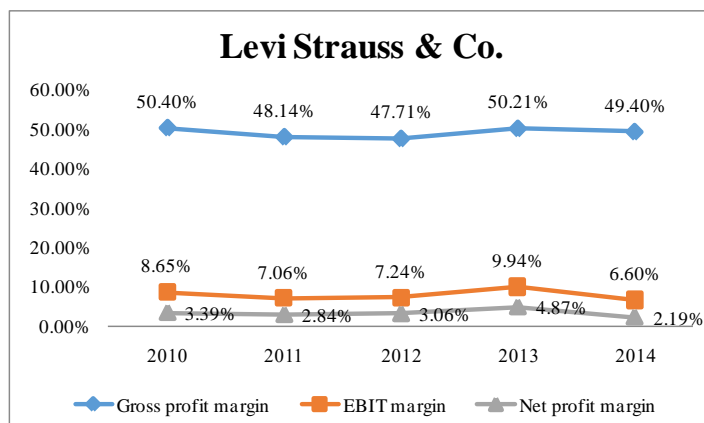
Lastly, the average of Net profit margin over 5 years of MC Group, Levi Strauss and VF Corporation are 19.8%, 3.26% and 9.29% respectively. In 2013 and 2014, Net profit margin of MC Group almost equal to EBIT margin because MC Group also generate interest income from investment. While other company maintained stable Net profit margin over 5 years.

Return	Average MC	Average Levi's	Average VFC
Gross Profit margin	52.0%	49.16%	47.30%
EBIT margin	23.0%	7.89%	12.79%
Net profit margin	19.8%	3.26%	9.29%

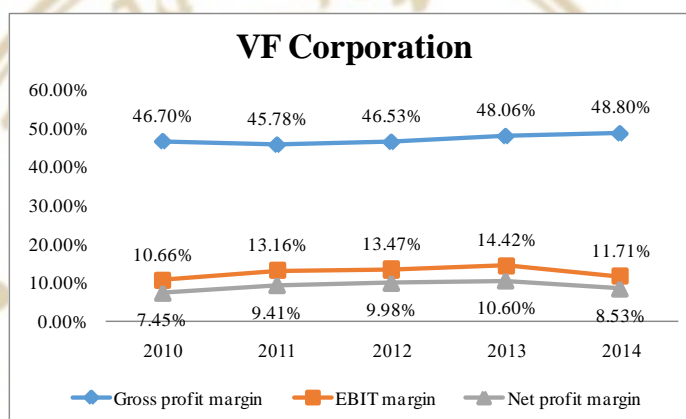
**Figure 1.19 : Margin percentage in 2014**



**Figure 1.20 : MC Group's margin percentage (2010 – 2014)**



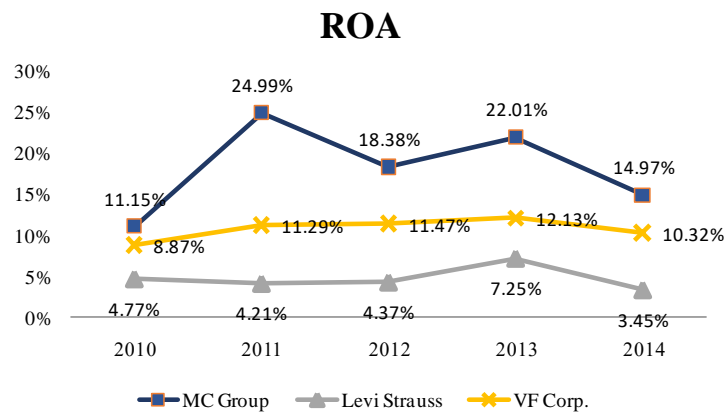
**Figure 1.21 : Levistrauss & Co.'s margin percentage (2010 – 2014)**



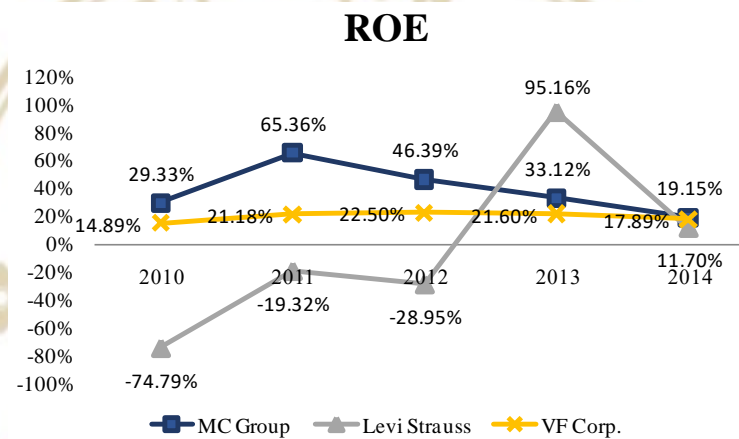
**Figure 1.22 : VF Corporation's margin percentage (2010 – 2014)**

ROA of MC Group is higher than competitors over 5 years, MC Group's average ROA is around 18% which is higher than Levi Strauss that has an average ROA around 4.8% and VF Corporation has an ROA around 10.5%. This statement can imply that MC Group efficiently utilizes assets to generate return compared to competitors. While the trend of ROA for MC Group was decreasing in 2014 because of a high level of inventory in 2014.

ROE of MC Group significantly decreased since year 2012 because the company was listed in SET in 2013, so equity was significantly increased since 2013, which caused a lower ROE. Comparing ROE of MC Group with other competitors, MC Group has a higher level of ROE over 5 years as shown in the below graph. Hence, MC Group can generate a higher return for shareholders.



**Figure 1.23 : ROA (2010 – 2014)**

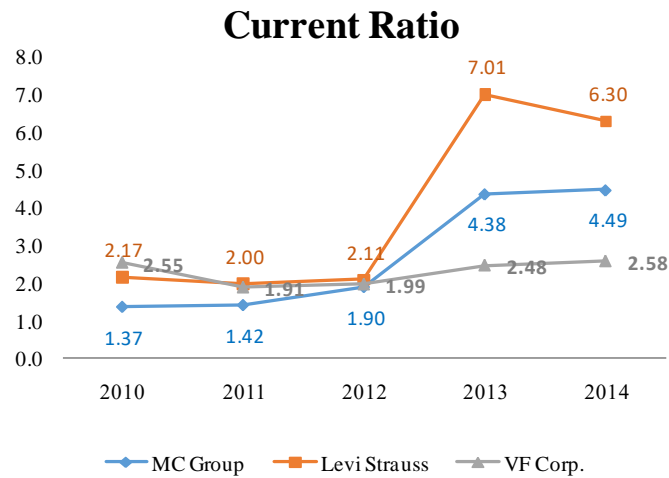


**Figure 1.24 : ROE (2010 – 2014)**

### 1.9.5.2 Risk

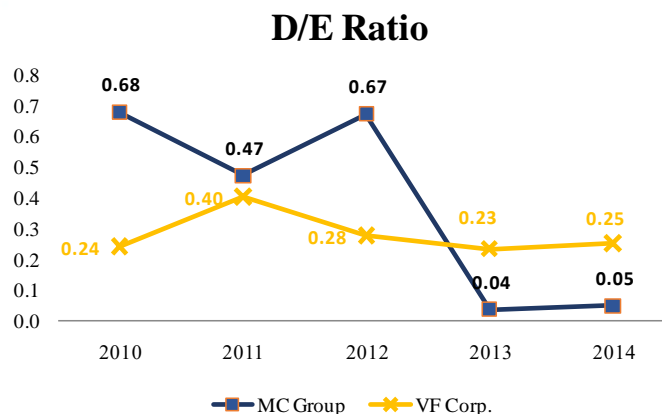
A liquidity ratio or current ratio used to measure the company's ability to pay short-term obligations. As shown in below graph that MC Group, Levi Strauss and VF Corporation maintain healthy liquidity ratio. Thus all of them are able to pay their short term debts.



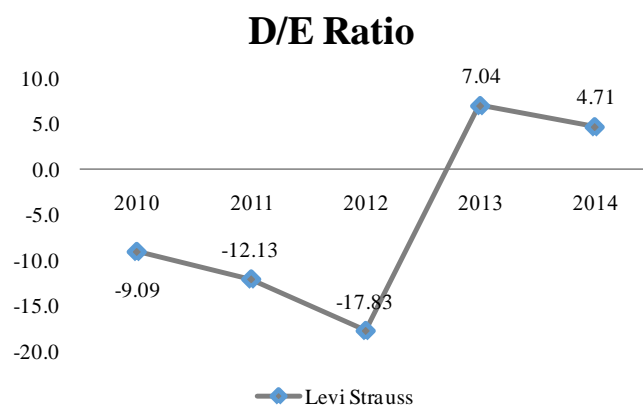


**Figure 1.25 : Current Ratio (2010 – 2014)**

Debt to Equity ratio used to measure the company's financial leverage, so it indicates that how much debt the company using to finance its assets relative to amount of value represented in equity. Comparing MC Group's debt to equity ratio with the competitors, MC Group maintain very low debt to equity ratio at 0.05 times in 2014 while VF Corporation has a bit higher debt to equity ratio around 0.25 times but both company still have low long term solvency risk. While Levi Strauss has very high debt to equity ratio of 4.71 times in 2014 which means it is high long term solvency risk.



**Figure 1.26 : MC Group and VF Corporation D/E Ratio (2010 – 2014)**



**Figure 1.27 : Livistrauss & Co. D/E Ratio (2010 – 2014)**

**Table 1.15 : Summary of key financial ratios**

	MC Group	Levi's	VF Corp.
	2014	2014	2014
<b>Growth (%)</b>			
Sales	17.25%	1.54%	7.55%
EBIT	-2.69%	-32.58%	-12.71%
Net Profit	-0.66%	-54.28%	-13.44%
<b>Profitability Ratio (%)</b>			
Gross Profit margin	54.42%	49.40%	48.80%
EBIT margin	21.78%	6.60%	11.71%
Net Profit margin	20.97%	2.19%	8.53%
<b>Efficiency Ratio</b>			
Current Ratio	4.49	6.30	2.58
Quick Ratio	2.65	8.83	1.39
Accounts Receivable Turnover	5.1	8.52	9.61
Inventory Turnover	1.09	3.6	4.36
Days Inventory	334.51	101.4	83.64
Payable Period (Days)	107.6	121.22	38.59
ROA	14.97%	3.45%	10.32%
ROE	19.15%	11.70%	17.89%
<b>Solvency Ratio (times)</b>			
D/E Ratio	0.05	4.71	0.25

## **1.10 Investment Risks**

### **1.10.1 Industry Risk (related to Apparel and Lifestyle Product Retailing Business)**

#### **1.10.1.1 Risks from intense competition**

The competitions in ready to wear retailing business are new entries of both domestic and foreign players, new brand development, price competition, advertising and PR and expansion of channel network to reach customers.

However, MC Group plans to increase the number of owned free standing shops and other alternatives channels such as mobile unit. The store expansion will extend the reach to customers through easier access to products and also increase brand awareness and brand reputation. As the company stay in this industry for long time, owning factory and having good relationship with suppliers and outsources manufacturers so the company has higher ability to compete with competitors in term of cost efficiency.

#### **1.10.1.2 Risks from changing customers' preferences in fashion products**

Changing customer tastes, preferences, and lifestyles especially in fashion industry have a big impact on the sales of fashion items offering by MC Group. MC Group see the importance of trend changing at heart and put efforts on capturing and analyzing customer trends and preferences though extensive surveys and close tracking and observation of fashion and trends both locally and internationally to be update and able to follow the trend of fashion. Furthermore, a close collaboration of sales and design teams at the Company will add speeds to our product development to respond to customer needs with new desirable fashion products.

### **1.10.2 Business Risks**

#### **1.10.2.1 Risk of rely on a small number of major customers (Buyer concentration risk)**

Almost half of revenues of MC Group are from a major group of customers who are modern trade. Top ten customers of MC Group are big retailers in modern trade which have provided a business over a long period under good relationships. However, MC Group realized the fact that rely on these big retailers has put the Company at risks by having low negotiation power. Thus, the Company formulated risk mitigations policies aiming to maintain and develop strong ties with those retailers in one front and reduce reliance on them by focusing on owned free standing shop expansion on another front. While the contribution of revenue from modern trade decreased and increase in the free standing shops.

#### 1.10.2.2 Risk of inventory mismanagement

Difficulties in manufacturing and distributing high volume and variety of products as well as unpredictable demand put a threat on MC Group's inventory management. The mismatch of demand of supply at any point of time will hinder on-time product delivery. To solve this issue, MC Group assigned a working team to directly handle and concentrate on inventory management from product design, raw material sourcing production storage and delivery. MC Group also set the standard time in product development and production in order to reduce the time that products will launch to the market. Moreover, the Company is currently developing and implementing its Enterprise Resource Planning (ERP) to enhance the efficiency in all related business processes.

### **1.10.3 Risks related to Product Sourcing**

#### 1.10.3.1 Risks from fluctuations in prices of raw materials

Cotton is the major component of jeans. Generally, market price of jeans has rather low volatility. However, world market price of cotton can also fluctuate and go up unexpectedly which may affect the prices of jeans which is our major raw material for production. Nevertheless, as the biggest users of cotton, MC Group can attempt a better negotiation power on raw material pricing with the suppliers. These jeans suppliers are also mostly well-managed and have a good track record of managing the prices of cotton in the past. Moreover, the company operates

its procurement process through an efficient system with proper procurement planning and vendor selection.

#### 1.10.3.2 Risk from reliance on leasing factory and other assets

The fact that MC Group leased factories and other assets to operate the business gave rises to risks of reliance in business operations. Leasing provides more flexibility and additional advantages in moving production base in the future. However, the Company have considered owning a factory as an option depending on the business expansion opportunities.

### **1.10.4 Legal Risks (related to Laws and other Trade Regulations and Practices)**

#### 1.10.4.1 Risks from free trade agreement of ASEAN Economic Community (AEC)

The union of ASEAN Economic Community (AEC) in 2015 will open borders and allow free flows of resources, funds, labor and trades in ASEAN countries. That will result in an intense competition of products and services from other ASEAN countries to Thailand and in other ASEAN markets as well. While MC Group is confident that its products have the strong point to compete with other foreign brands. Additionally, brand awareness building efforts, sales and distribution expansion to other ASEAN countries will further enable the Company to thrive through these competitive threats facing the Company from this free-trade agreement. Currently, the Company has already set a strong foothold in a few ASEAN markets outside Thailand such as Laos, Vietnam and Myanmar.

#### 1.10.4.2 Risk from rental contract renewal

MC Group normally rent retailing spaces to build free standing shops with an average rental term of 3 years. The risk arises when there is no guarantee of rental contract extension/renewal after expiration or in case the rental prices and other fees go up after the contracts are expired. However, most lease agreements grant the Company rights to extend the contracts before other parties when expire and some are stated clearly on a specific clause regarding rental fee



adjustments. Moreover, the Company has maintained good relationships with the property owners by strictly conforming to the rental as well as helping attract more customers to those department stores or other properties. As a result, the Company has never faced of the contract cancellation or getting rejected from contract renewals.

#### 1.10.4.3 Risk from changes in sales contract/agreement

For retailing business, sole distributorship is a key to competitiveness. There are 2 types of sales contracts: autonomous renewal contract and term contract. The Company risks its sales revenue from being a sales agent in case of the term contract where the counterparty might not renew the contract. Nevertheless, strong ties with the counterparties as well as good record of compliance resulted in trust and thus renewal of the contracts. In case of changes in agreements especially the compensation rate, the Company will make sure to negotiate with the best mutual interests of both parties.

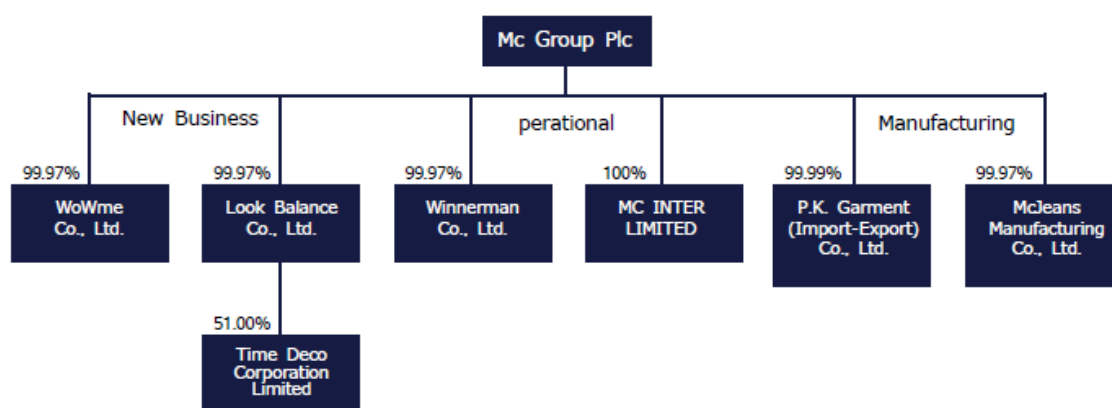
**Table 1.16 : Risk Matrix Table**

<b>Risk Matrix Table</b>			
<b>Impact</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Probabilities</b>	<b>Negligible</b>	<b>Moderate</b>	<b>Severe</b>
<b>(68% - 100%)</b>		- Risks from intense competition - Risks from changing customers' preferences in fashion products - Risks from free trade agreement of ASEAN Economic Community (AEC)	
<b>(34% - 67%)</b>		- Risks from fluctuations in prices of raw materials	- Risk of rely on a small number of major customers (Buyer concentration risk)
<b>(1% - 33%)</b>	- Risk from reliance on leasing factory and other assets	- Risk of inventory mismanagement - Risk from rental contract renewal	

## CHAPTER II

### DATA

#### 2.1 Shareholding Structure of the Group of Companies



Company Name	Registered Capital (million baht)	Business	% Shareholding
Mc Group Plc	400,000,000	Manages sales and distribution of ready-to-wear clothing and apparel.	-
P.K. Garment (Import-Export) Co., Ltd.	250,000,000	Manufactures ready-to-wear denim pants	99.99%
Winnerman Co., Ltd.	1,000,000	Provides services and manages PCs and warehouse employees	99.97%
Mc Jeans Manufacturing Co., Ltd.	1,000,000	Manufactures ready-to-wear apparel	99.97%
WoWme Co., Ltd.	1,000,000	Distributes products and services through online/internet channel	99.97%
Look Balance, Co., Ltd.	213,000,000	Invests in other businesses	99.97%
Time Deco Corporation Limited	20,410,000	Imports and distributes leading fashion watches from all over the world	51.00%
MC INTER LIMITED	1 HK dollar	Not yet in operation. Established to support future business operations and investments in foreign countries	100%

Source : Company Data

Figure 2.1 Shareholding Structure of the Group of Companies

## 2.2 Major Shareholders and Free – float

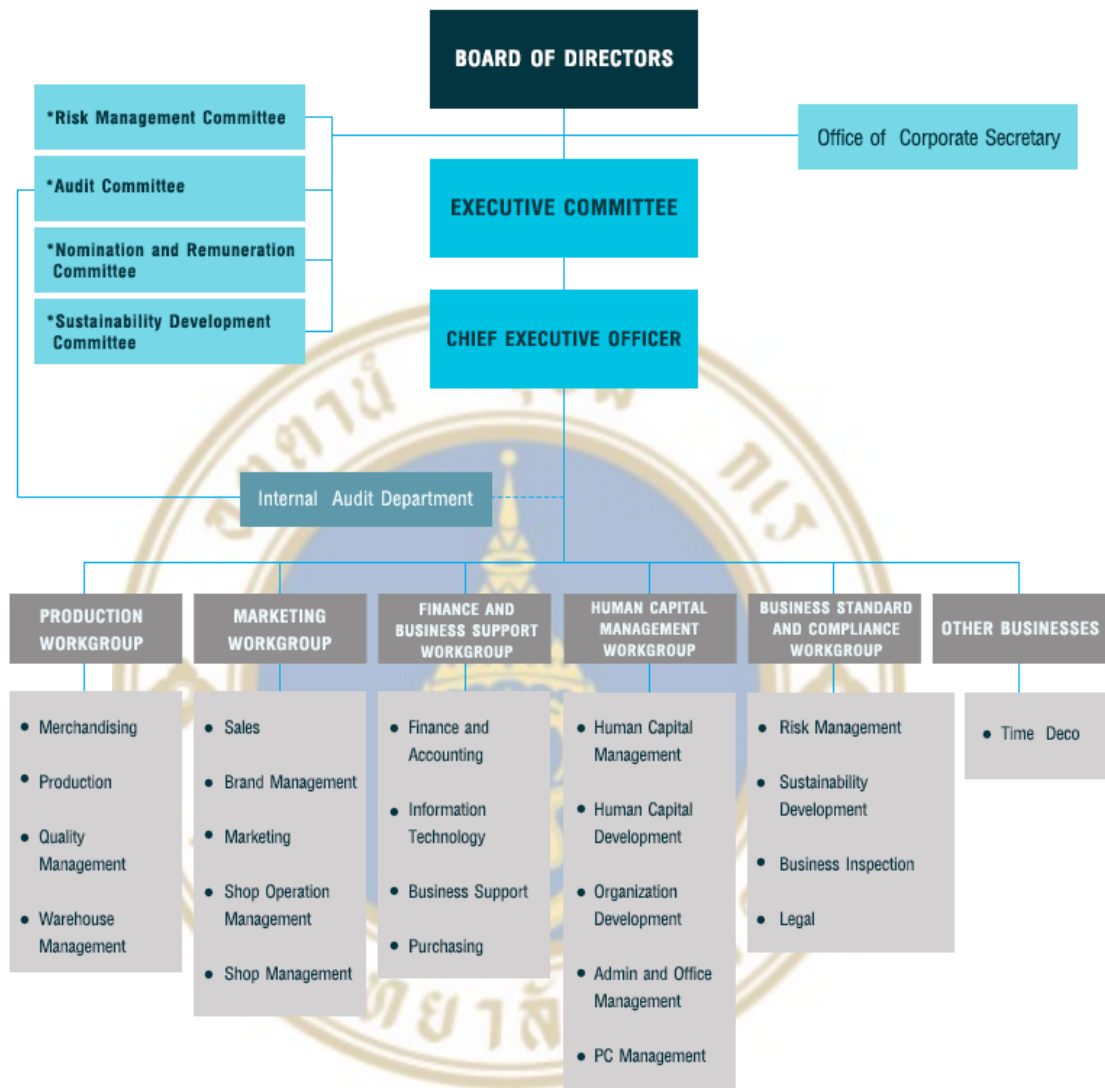
**Table 2.1 Major Shareholders and Free – float**

Rank	Major Shareholders	# Shares	% Shares
1	Ms.Sunee Seripanu	359,021,500	44.88
2	MINDO ASIA INVESTMENT LIMITED	70,000,000	8.75
3	THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, FUND SERVICES DEPARTMENT	50,000,000	6.25
4	RBC INVESTOR SERVICES TRUST	32,903,200	4.11
5	Mrs .Pratana Mongkolkul	31,471,000	3.93
6	Mr. Virach Seripanu	14,800,000	1.85
7	Thai NVDR Co.,Ltd.	14,506,900	1.81
8	Bualuang Long-Term Equity Fund (B-LTF)	8,935,300	1.12
9	HSBC (SINGAPORE) NOMINEES PTE LTD	8,251,000	1.03
10	Aberdeen Small Cap Fund (ABSM)	8,250,900	1.03
<b>Total 10 majors shareholders</b>		<b>598,139,800</b>	<b>74.76</b>
<b>Total number of shares</b>		<b>800,000,000</b>	<b>100.00</b>

<b>Free Float As of 10/03/2015</b>	
Minor Shareholders (Free float)	4,431
% Shares in Minor Shareholders (% Free float)	31.72

Source : Company Data

### 2.3 Management and Organization chart



Source : Company Data

**Figure 2.2 Management and Organization chart**

## **2.4 Corporate Governance (CG)**

### **Corporate Governance Policy**

The Company recognized the importance of good corporate governance in conducting its business. Hence, the Company follows the guideline of the Code of Best Practices for Directors of Listed Company set by the Stock Exchange of Thailand with respect to suitability and practicality to the Company. Moreover, the Company applies the Principles of Good Corporate Governance For Listed Companies (2012) in establishing internal rules deployed in developing policies that includes rights of shareholders, fair treatment of shareholders, roles of stakeholders, information disclosure and transparency, responsibilities of the Board of Directors as follows.

#### **Section 1: Rights of Shareholders**

The Company recognized the importance of the Rights of Shareholders and shall not act in a manner that violates or diminishes any right of shareholders. The Company advocates exercising of basic Shareholder rights such as the purchase, sell or transfer of shares, the dividend policy, adequate pass-through of Company's information, participation in shareholders' meeting (for removal of directors), the appointment of auditors, and any matter that will impact the Company such as dividend payouts, rules and regulations setting and revision, Memorandum of Association, increase or decrease of share capital and other special approvals.

#### **Section 2: Equitable Treatment of Shareholders**

The Company will act impartially to all shareholders including shareholders who are management, non-management, foreign and minority.

#### **Section 3: Roles of Stakeholders**

The Company recognizes the importance of all stakeholders and will do its best to serve all parties

Shareholder; The Company is determined to protect shareholder's interest in managing long term equity value of the company with consistent return and maintain integrity and transparency.



Employees; Human resource is a crucial element for success of the company, hence, we have nurtured a culture and supporting environment which encourage team work and while respecting individuality. The Company treats employment, appointment and transfer on a fair basis in order to maximize the use of human resource for the best interests of the Company. Furthermore, the company takes health and safety in the workplace very seriously and ensures that all business units comply strictly with the labor law. Furthermore, the Company respects employees' privacy in that it will not share information such as salary, medical record and family history to any irrelevant person unless required by law.

Customers; With its quality products at competitive pricing, the Company aim to achieving highest level of satisfaction and confidence from its customers.

Business Partners and/or Creditors or Debtors; In conducting business, the Company believes in long term value of good reputation which is built on the foundation of mutual partnerships which we believe is a key factor in maximizing values with customers. The Company stands firm on its commitments to its creditors and will honor its obligations of repayment of principals, interests and others.

Competitors; The Company encourages free markets with fairness and is against obtaining unfair advantage which is in conflict with the laws and ethical standards.

Community; As a Thai Company, we are accountable to our community in which we benefit from and support the development of the local communities in which the Company conducts business activities. The Company supports environmentally responsible products and services and act according to the relevant environmental law.

#### Section 4: Information Disclosure and Transparency

The Company recognized the importance of disclosure of accurate, transparent corporate information in a timely matter and has adopted the standard provided by the Stock Exchange of Thailand or the Securities and Exchange Commission including financial reporting and other information disclosure that can influence the Company's stock price, decision of investors and other stakeholders. All relevant individuals are treated fairly in terms of information dissemination whereby

the Company will release the information through the Stock Exchange of Thailand and via the Company website at [www.mcgroupnet.com](http://www.mcgroupnet.com)

#### Section 5: Responsibility of Board of Directors

The Board of Directors comprises individuals with knowledge, expertise and experience in the conducting the business and is able to provide recommendations on matters relating to management of the Company such as policies, vision, strategies, targets, duties, business plans, budgets and management appraisal. This is to ensure that the management is able to effectively conduct its business within the scope of the law, objectives, and resolution of shareholders with integrity, prudence in order to maximize shareholder value.

The Board of Directors consisted of 7 directors and 3 independent directors who are qualified as members according to the announcements of Capital Market Supervisory Board and the Stock Exchange of Thailand.

### 2.5 Trademarks

The ready to wear clothing and apparels manufactured by the company and its subsidiaries compose of






## 2.6 Income Statement

Table 2.2 Projected Income Statements

	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E	2019E
Revenue	1,291.6	1,804.5	1,427.0	2,972.8	3,469.8	3,747.4	4,196.2	4,698.9	5,261.7	5,892.0
Cost of Revenue, Total	(787.3)	(950.0)	(656.8)	(1,288.1)	(1,581.6)	(1,798.8)	(2,014.3)	(2,255.6)	(2,525.7)	(2,828.3)
<b>Gross Profit</b>	<b>504.3</b>	<b>854.4</b>	<b>770.3</b>	<b>1,684.7</b>	<b>1,888.1</b>	<b>1,948.5</b>	<b>2,181.9</b>	<b>2,443.3</b>	<b>2,736.0</b>	<b>3,063.7</b>
Selling/General/Admin. Expenses, Total	(348.7)	(422.6)	(389.0)	(887.9)	(1,132.5)	(1,105.9)	(1,176.3)	(1,317.2)	(1,474.9)	(1,651.6)
Selling/General/Administrative Expense	(133.0)	(163.3)	(180.8)	(426.8)	(610.8)	(517.6)	(579.6)	(649.1)	(726.8)	(813.9)
Labor & Related Expense	(194.7)	(244.0)	(203.8)	(456.6)	(523.4)	(554.5)	(558.8)	(625.7)	(700.7)	(784.6)
Advertising Expense	(27.2)	(20.2)	(7.2)	(18.4)	(16.9)	(33.8)	(37.8)	(42.4)	(47.5)	(53.1)
<b>Operating Income</b>	<b>155.6</b>	<b>431.9</b>	<b>381.2</b>	<b>796.8</b>	<b>755.6</b>	<b>842.7</b>	<b>1,005.7</b>	<b>1,126.1</b>	<b>1,261.0</b>	<b>1,412.1</b>
Interest Expense, Net Non-Operating	(13.0)	(11.6)	(11.9)	(17.5)	(6.1)	(14.9)	(16.4)	(18.0)	(19.8)	(21.8)
Interest/Invest Income - Non-Operating	0.5	3.6	0.9	30.3	49.3	42.2	42.2	42.2	42.2	42.2
Interest Inc.(Exp.),Net-Non-Op., Total	(12.5)	(8.0)	(11.0)	12.8	43.2	27.3	25.9	24.3	22.4	20.4
Gain (Loss) on Sale of Assets	7.0	3.5	7.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Income Before Taxes</b>	<b>150.1</b>	<b>427.4</b>	<b>377.4</b>	<b>809.7</b>	<b>798.8</b>	<b>870.0</b>	<b>1,031.6</b>	<b>1,150.4</b>	<b>1,283.5</b>	<b>1,432.5</b>
Provision for Income Taxes	(45.2)	(128.5)	(59.1)	(77.3)	(71.2)	(174.0)	(206.3)	(230.1)	(256.7)	(286.5)
<b>Net Income After Taxes</b>	<b>104.9</b>	<b>298.8</b>	<b>318.3</b>	<b>732.5</b>	<b>727.6</b>	<b>696.0</b>	<b>825.2</b>	<b>920.3</b>	<b>1,026.8</b>	<b>1,146.0</b>

## 2.7 Balance Sheet

**Table 2.3 Projected Balance Sheet**

<b>Assets (THB Millions)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
Cash and Short Term Investments	127.2	138.2	157.7	1,791.6	1,698.9	1,695.2	1,913.6	1,895.1	1,873.6	1,848.6
Cash & Equivalents	126.7	118.8	153.0	267.1	154.4	150.7	369.1	350.6	329.1	304.1
Short Term Investments	0.4	19.5	4.8	1,524.5	1,544.5	1,544.5	1,544.5	1,544.5	1,544.5	1,544.5
A/R	396.1	544.6	677.1	760.7	647.9	1,034.2	1,158.1	1,296.8	1,452.2	1,626.1
Inventory	233.0	541.2	779.4	1,362.8	1,536.2	1,749.9	1,703.9	1,908.0	2,136.5	2,392.4
Prepaid Expenses	1.3	2.9	9.6	31.1	31.1	26.0	29.1	32.6	36.5	40.8
Other Current Assets, Total	3.1	2.5	6.0	7.1	69.1	30.0	33.6	37.6	42.1	47.2
<b>Total Current Assets</b>	<b>760.6</b>	<b>1,229.5</b>	<b>1,629.8</b>	<b>3,953.3</b>	<b>3,952.1</b>	<b>4,535.3</b>	<b>4,838.3</b>	<b>5,170.1</b>	<b>5,540.9</b>	<b>5,955.2</b>
Property/Plant/Equipment, Total - Gross	484.7	547.8	677.3	929.9	1,223.5	1,320.2	1,478.3	1,655.4	1,853.7	2,075.7
Accumulated Depreciation, Total	(356.1)	(394.2)	(445.1)	(589.7)	(775.9)	(837.2)	(937.5)	(1,049.8)	(1,175.5)	(1,316.3)
PPE	128.6	153.6	232.2	340.2	447.6	483.0	540.8	605.6	678.2	759.4
Goodwill, Net	0.0	0.0	0.0	107.8	107.8	107.8	107.8	107.8	107.8	107.8
Intangibles, Net	2.5	6.5	3.9	10.4	115.1	115.1	115.1	115.1	115.1	115.1
Other Long Term Assets, Total	48.6	61.1	147.3	240.5	234.2	234.2	234.2	234.2	234.2	234.2
<b>Total Assets</b>	<b>940.4</b>	<b>1,450.7</b>	<b>2,013.3</b>	<b>4,652.2</b>	<b>4,856.7</b>	<b>5,475.4</b>	<b>5,836.2</b>	<b>6,232.8</b>	<b>6,676.1</b>	<b>7,171.7</b>
<b>Liabilities (THB Millions)</b>										
A/P	192.2	358.0	288.0	441.2	491.3	665.6	745.4	834.6	934.6	1,046.6
Accrued Expenses	49.6	76.3	123.0	150.7	103.5	171.9	192.5	215.6	241.4	270.3
Notes Payable/Short Term Debt	240.9	262.6	250.0	127.5	181.0	391.9	438.9	491.5	550.3	616.2
Current Port. of LT Debt/Capital Leases	1.3	0.6	0.0	1.7	1.1	0.0	0.0	0.0	0.0	0.0
Other Current liabilities, Total	69.6	167.6	194.8	181.5	104.2	104.2	104.2	104.2	104.2	104.2
<b>Total Current Liabilities</b>	<b>553.5</b>	<b>865.0</b>	<b>855.8</b>	<b>902.7</b>	<b>881.1</b>	<b>1,333.7</b>	<b>1,481.0</b>	<b>1,645.9</b>	<b>1,830.5</b>	<b>2,037.3</b>
Total Long Term Debt	0.6	0.0	300.0	3.9	3.5	3.9	4.1	4.3	4.7	5.0
Minority Interest	0.0	0.0	0.0	87.8	106.2	92.5	109.6	122.3	136.4	152.3
Other Liabilities, Total	28.5	29.1	41.8	44.3	47.3	65.3	73.1	81.8	91.6	102.6
<b>Total Liabilities</b>	<b>582.7</b>	<b>894.2</b>	<b>1,197.6</b>	<b>1,038.6</b>	<b>1,038.1</b>	<b>1,495.3</b>	<b>1,667.8</b>	<b>1,854.3</b>	<b>2,063.3</b>	<b>2,297.2</b>
<b>Shareholders Equity (THB Millions)</b>										
Common Stock, Total	300.0	300.0	300.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0
Additional Paid-In Capital	0.0	0.0	0.0	2,824.9	2,824.9	2,824.9	2,824.9	2,824.9	2,824.9	2,824.9
Retained Earnings	57.7	256.6	515.7	388.7	596.3	755.2	943.5	1,153.6	1,388.0	1,649.5
Other Equity, Total	0.0	0.0	0.0	0.0	(2.6)	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>357.7</b>	<b>556.6</b>	<b>815.7</b>	<b>3,613.6</b>	<b>3,818.6</b>	<b>3,980.1</b>	<b>4,168.4</b>	<b>4,378.5</b>	<b>4,612.9</b>	<b>4,874.4</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>940.4</b>	<b>1,450.7</b>	<b>2,013.3</b>	<b>4,652.2</b>	<b>4,856.7</b>	<b>5,475.4</b>	<b>5,836.2</b>	<b>6,232.8</b>	<b>6,676.1</b>	<b>7,171.7</b>

## 2.8 Statement of Free Cash Flow

**Table 2.4 Projected Statement of Free Cash Flow**

	2010	2011	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
<b>Cash Flow-Operating Activities (THB Millions)</b>										
Net Income/Starting Line	104.9	298.8	318.3	732.5	727.6	696.0	825.2	920.3	1,026.8	1,146.0
Depreciation/Depletion	43.8	41.4	27.8	86.1	123.3	61.3	100.3	112.3	125.7	140.8
Amortization	0.8	1.0	1.0	4.1	7.3	7.3	7.3	7.3	7.3	7.3
Non-Cash Items	77.0	144.4	154.9	86.0	30.5	(37.2)	(50.5)	(49.5)	(41.7)	(33.0)
Changes in Working Capital	(78.9)	(316.1)	(704.6)	(627.1)	(237.2)	(368.6)	6.1	(248.8)	(278.6)	(312.0)
Accounts Receivable	(40.2)	(153.0)	(202.3)	(19.9)	88.6	(386.3)	(123.9)	(138.7)	(155.3)	(173.9)
Inventories	(25.8)	(311.8)	(59.9)	(359.7)	(160.7)	(213.7)	46.0	(204.1)	(228.5)	(255.9)
Other Assets	(2.1)	(10.1)	(59.8)	(5.4)	(57.2)	39.1	(3.6)	(4.0)	(4.5)	(5.0)
Accounts Payable	(5.0)	183.4	(49.0)	102.2	41.3	174.3	79.7	89.3	100.0	111.9
Other Liabilities	28.0	35.8	(265.8)	(192.8)	(44.3)	18.0	7.8	8.8	9.8	11.0
Other Operating Cash Flow	(33.7)	(60.4)	(67.8)	(151.6)	(104.9)					
<b>Cash from Operating Activities</b>	<b>147.7</b>	<b>169.6</b>	<b>(202.7)</b>	<b>281.6</b>	<b>651.5</b>	<b>358.8</b>	<b>888.4</b>	<b>741.6</b>	<b>839.5</b>	<b>949.1</b>
<b>Cash Flow-Investing Activities (THB Millions)</b>										
Capital Expenditures	(49.7)	(72.7)	(74.9)	(167.9)	(348.8)	(35.4)	(57.9)	(64.8)	(72.5)	(81.2)
Purchase of Fixed Assets	(46.9)	(67.9)	(70.8)	(157.7)	(239.3)	(35.4)	(57.9)	(64.8)	(72.5)	(81.2)
Purchase/Acquisition of Intangibles	(2.7)	(4.8)	(4.0)	(10.2)	(109.5)	0.0	0.0	0.0	0.0	0.0
Other Investing Cash Flow Items, Total	(5.7)	(113.6)	(96.3)	(1,508.2)	42.6	12.2	12.2	12.2	12.2	12.2
Sale of Fixed Assets	44.3	1.7	46.5	4.4	8.4	6.4	6.4	6.4	6.4	6.4
Investment, Net	(0.4)	(15.5)	(3.2)	(1,519.7)	(14.2)	(14.2)	(14.2)	(14.2)	(14.2)	(14.2)
Purchase of Investments	(50.0)	(100.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investing Cash Flow	0.5	0.1	(139.5)	7.1	48.4	20.0	20.0	20.0	20.0	20.0
<b>Cash from Investing Activities</b>	<b>(55.4)</b>	<b>(186.3)</b>	<b>(171.1)</b>	<b>(1,676.1)</b>	<b>(306.2)</b>	<b>(23.2)</b>	<b>(45.7)</b>	<b>(52.6)</b>	<b>(60.3)</b>	<b>(69.0)</b>
<b>Cash Flow-Financing Activities (THB Millions)</b>										
Financing Cash Flow Items	(14.6)	(11.6)	287.0	2,907.4	(5.9)	100.0	100.0	100.0	100.0	100.0
Total Cash Dividends Paid	0.0	0.0	0.0	(860.5)	(504.5)	(650.7)	(771.5)	(860.4)	(959.9)	(1,071.3)
Issuance (Retirement) of Debt, Net	(39.8)	20.4	239.8	(538.2)	52.4	211.3	47.1	52.9	59.2	66.3
Short Term Debt, Net	(21.3)	21.7	(60.0)	(237.9)	53.5	210.9	46.9	52.6	58.9	65.9
Long Term Debt, Net	(18.5)	(1.3)	299.8	(300.3)	(1.0)	0.4	0.2	0.3	0.3	0.4
<b>Cash from Financing Activities</b>	<b>(54.4)</b>	<b>8.8</b>	<b>526.7</b>	<b>1,508.7</b>	<b>(458.0)</b>	<b>(339.3)</b>	<b>(624.4)</b>	<b>(707.5)</b>	<b>(800.7)</b>	<b>(905.1)</b>
Net Change in Cash	37.9	(8.0)	153.0	114.1	(112.7)	(3.7)	218.3	(18.5)	(21.5)	(25.0)
Net Cash - Beginning Balance	88.8	126.7	0.0	153.0	267.1	154.4	150.7	369.1	350.6	329.1
<b>Net Cash - Ending Balance</b>	<b>126.7</b>	<b>118.8</b>	<b>153.0</b>	<b>267.1</b>	<b>154.4</b>	<b>150.7</b>	<b>369.1</b>	<b>350.6</b>	<b>329.1</b>	<b>304.1</b>



## 2.9 SWOT Analysis

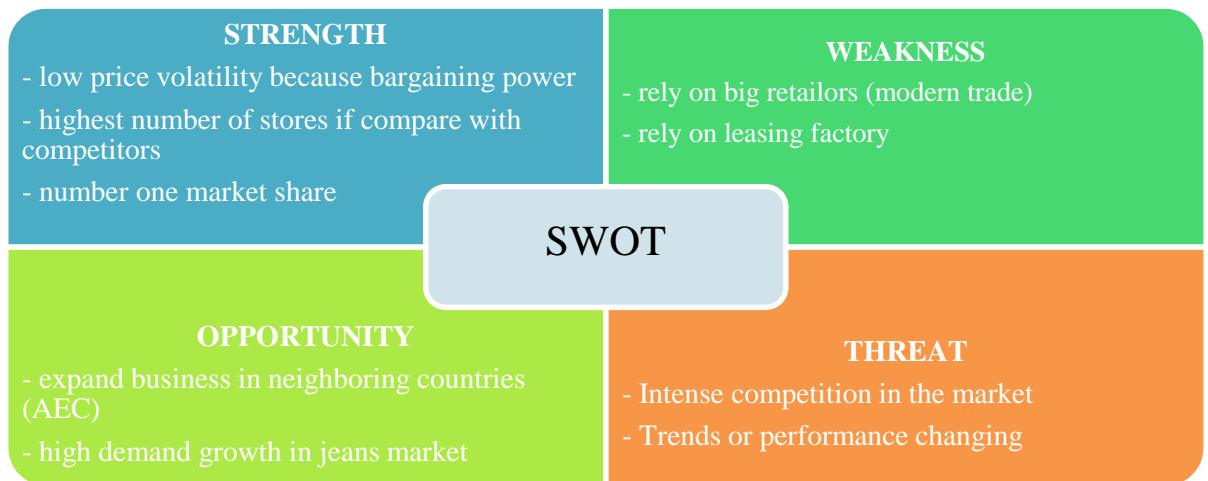
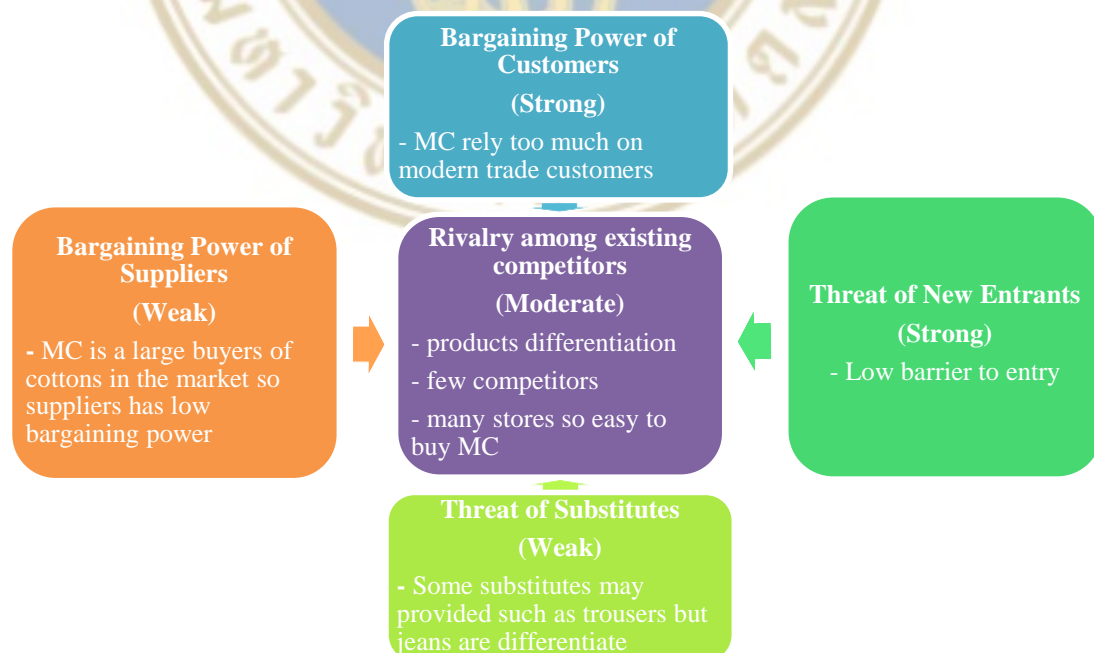
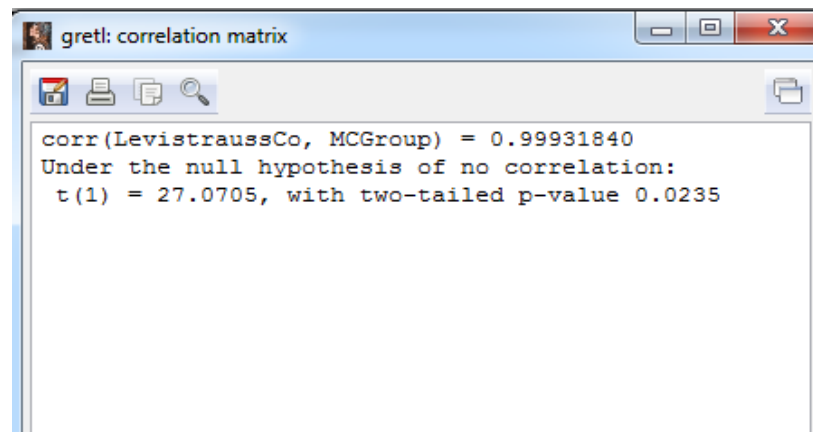
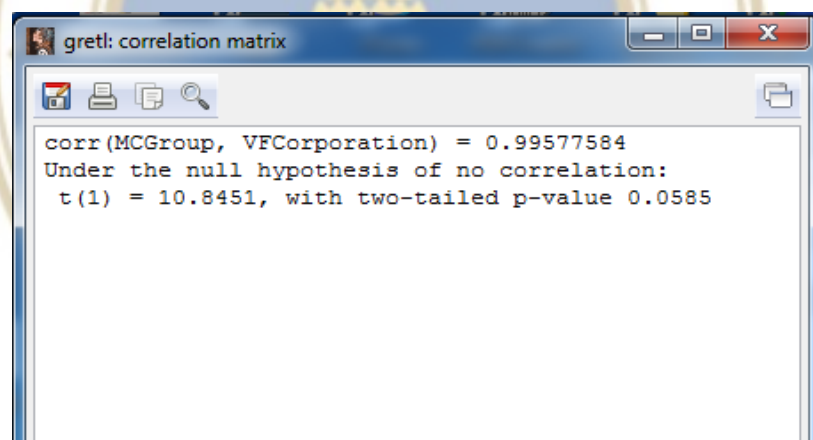
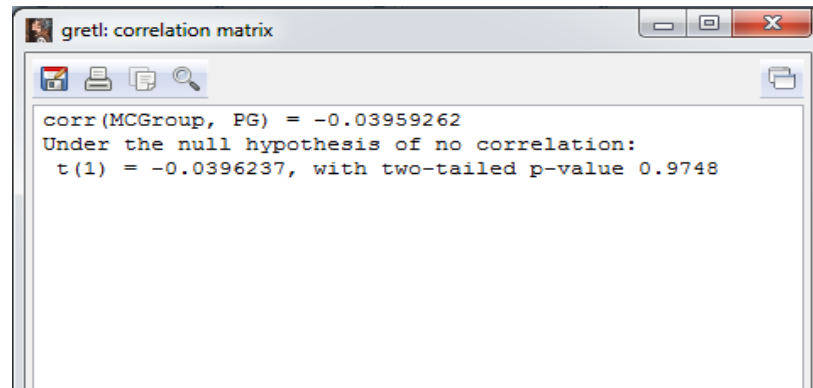


Figure 2.3 : SWOT Analysis

## 2.10 Five Force Analysis



**Figure 2.4 : Five Force Analysis****2.11 Correlation matrix (Competitors)****Figure 2.5 : Correlation of Levi's Strauss and MC Group is 0.9993****Figure 2.6 : Correlation of VF Corporation (Lee and Wrangler) and MC Group is 0.9957**



**Figure 2.7 : Correlation of PG and MC Group is -0.039 so this company isn't MC Group competitors**



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