

**RELATIVE VALUATION OF HOME PRODUCTION CENTER
PUBLIC COMPANY LIMITED**



**A THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
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Thematic paper
entitled
**RELATIVE VALUATION OF HOME PRODUCTION CENTER
PUBLIC COMPANY LIMITED**

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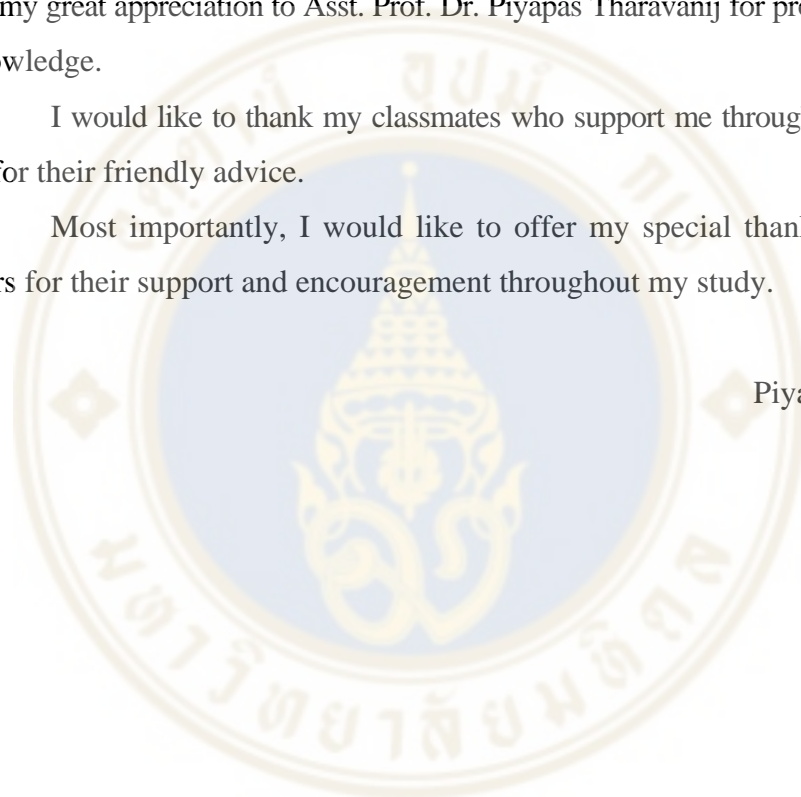
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ABSTRACT

This thematic paper demonstrated how to value the stock price of Home Production Center Public Company Limited (HMPRO) by using the concept of Relative Valuation. The stock price was calculated from Enterprise Value to Earning before Interest and Tax and Depreciation and Amortization (EV/EBITDA) which is a measurement of a company's stock price based on a company profitability in relative to industry. The process started with analyzing internal and external circumstances within the company, creating forecast, calculating a reasonable valuation and recommending to buy-sell-hold stocks.

HMPRO is a home improvement retail chain which operate in Thailand and Malaysia. The company not only offers a wide range of products from both private and international brand but also operates the warehousing and distribution. HMPRO recently focused on private brand expansion and cost control rather than store expansion in order to improve profit margin. The reason is a decline in household purchasing power and a sluggish global growth.

The result from this paper illustrates the fair price of HMRPO share price in relative to industry which is expected to be lower value than the current market price by 23%. Therefore, the result leads to my recommendation of "SELL"

In conclusion, this valuation study is to estimate the intrinsic value of the company. However, there are some limitation of Relative Valuation method so that the value must be consider carefully.

KEY WORDS: HMPRO, Relative Valuation, Valuation, Home Improvement Product

59 pages

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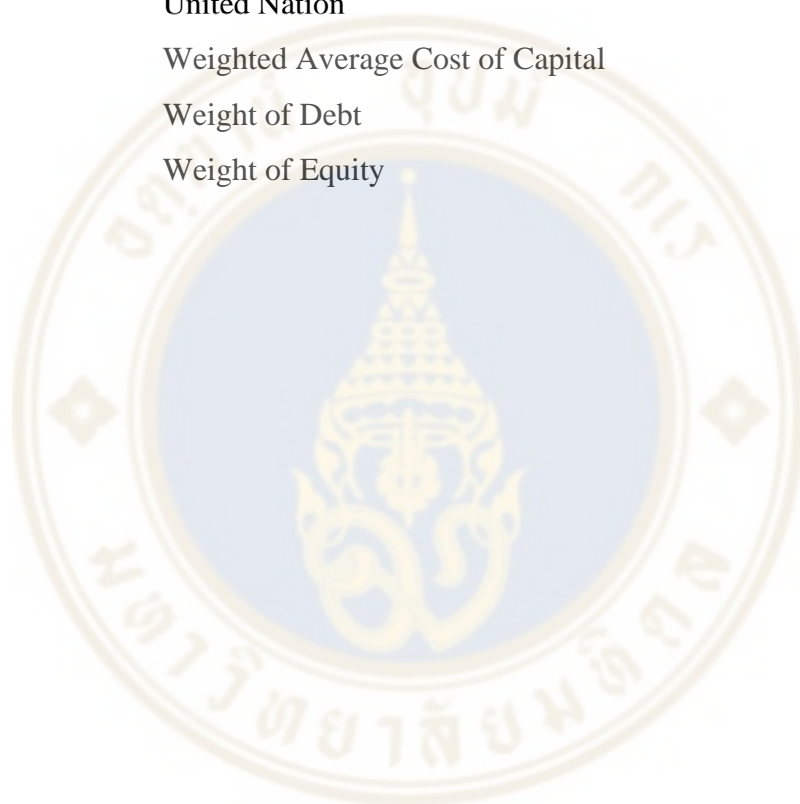


LIST OF ABBREVIATIONS

B	Beta
BOT	Bank of Thailand
BV	Book Value
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CCI	Consumer Price Index
COGS	Cost of Goods Sold
DC	Distribution Center
DCF	Discounted Cash Flow
D/E	Debt/Equity
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings before Interest, Taxes and Depreciation
FCFF	Free Cash Flow to Firm
GDP	Gross Domestic Production
GLOBAL	Siam Global House Public Limited Company
HMPRO	Home Product Center Public Limited Company
IMF	International Monetary Fund
IPO	Initial Public Offering
Kd	Cost of Debt
Ke	Cost of Equity
MRP	Market Risk Premium
NPV	Net Present Value
NOPAT	Net Operating Profit After Taxes
PV	Present Value
P/E	Price/Earnings per Share
P/BV	Price/Book Value
Rf	Risk Free

LIST OF ABBREVIATIONS (cont.)

ROA	Return on Assets
ROE	Return on Equity
SET	Stock Exchange of Thailand
SG&A	Selling, General and Administrative Expense
UN	United Nation
WACC	Weighted Average Cost of Capital
Wd	Weight of Debt
We	Weight of Equity



CHAPTER I

VALUATION

1.1 Highlights

1.1.1 Fundamental and Relative valuation are indicative of SELL:

Based on our assumption and analysis, target price at the end of 2019 and 2020 are 9.8 Baht and 10.5 Baht, respectively. The recommendation for HMPRO under Discounted Cash Flow and Relative valuation is indicative to SELL since the market price was overvalued, closed at 16.5 as of 29 November 2019. The market price is higher than the intrinsic value because there is a strong investment demand for home improvement and construction retail and wholesale sector.

However, the market price recently has been declined as a result of the global economic slowdown and a slow growth in domestic consumption and investment, especially in housing industry due to a tighter regulation on mortgage loan.

1.1.2 Financial highlight

HomePro's revenue is expected to grow 2.5% in 2019 with flat performance in the fourth quarters due to slow economic growth since 2H2019. Also, HomePro will open two stores under the named MagaHome on 4Q2019, thus HomePro will has 118 stores in total at the end of 2019 and HMPRO group is projected to expand at the same rate in 2020, at least 4-5 store expansion per year.

HomePro's Net profit margin expects to growth 13% YoY at the end of 2019 due to an improvement from enhancement of directly sourced private label. Sales mix from private brand from HomePro and MegaHome was 19.9% and 8-10%, respectively.

Besides, the company implemented an Automated Storage and Retrieval System (ASRS) at its distribution center and used robots to replace humans in a warehouse which helps to increase capacity by 50% without adding new employees. Therefore, the company will focus on private brand expansion and operational efficiency.

1.1.3 Economic Update

Thailand's GDP still expected to grow at slower pace 2.8% in 2019, projected by SCBEIC, driven by prolonged slowdowns in export sector, low policy rates and sustained Baht appreciate. However, BOT report negative retail growth in August 2019, -3.2% YoY because of prolonged country economic slowdown, business disruption and increased in market competitions.

1.2 Business Description

Home Product Center Public Company Limited (HMPRO) is the dominant home improvement retailer in Thailand under the trade name of "HomePro". The company was incorporated on June 27, 1995. HomePro is a joint venture between Land and Houses Public Company Limited (LH) and Quality Houses Public Limited (QH) in which the two companies operate in Land and Property Development, as stated in the company's history section from Home Product Center official website for investor relation. According to information in the third quarter of 2019 from stock exchange of Thailand, the major share of HomePro is held by LH and QH, 30.23% and 19.87% respectively. As reported by the stock exchange of Thailand, HomePro launched its initial public offering on October 30, 2001, with the initial registered capital of 150 million Baht, and its trading symbol is "HMPRO".

1.2.1 Vision and Mission

The vision of the company "is to be the leader of Home Solution and Living Experience in Thailand and South East Asia. HomePro has a mission in four aspects." (Home Product Center Public Company Limited, 2018 annual report). The company "will offer remarkable products and services beyond customer's expectations" (HomePro 2019). The business partner is the second aspect in favor of develop innovative products and services (HomePro 2019). The company also concerns the importance of developing its associated and enhance productivity (HomePro 2019). The company's management is based on good governance, being socially and environmentally responsible (HomePro 2019). HomePro will consistently look for new business opportunities and increase value to its stakeholders (HomePro 2019). The company's goal, as mentioned in Home

Product Center official website for investor relation, is to become a One-Stop Shopping destination in which the company has an intent to expand its investment internally and internationally in ASEAN Economic Community (AEC), and other countries with potential for growth in order to accommodate the growth of urban society.

1.2.2 Nature of Business

The nature of HomePro can be divided into two sectors. The first sector is home improvement retailing contribute 93% (Obtain from company's financial statement report on Q3 2019) of the company's total revenues. In first sector, categorized by HMPRO in annual report 2018, there are two sub-sectors which are merchandise products (hard line and soft line) and service relating to retail businesses (installation service, maintenance service and home improvement service). The second sector is space rental service for retail tenants under a store format "Market Village", approximately 7% of total revenues (Obtain from company's financial statement ended on October 31, 2019).

1.2.3 Structure of Business Group



Figure 1.1 Structure of Home Production Center Public Limited Company

Source: Home Product Center Annual Report 2018

Home Product Center Plc. is a parent company which operates HomePro in Thailand according to Figure 1.1. At the end of December 2018, HomePro has 90 stores under trademark named HomePro (26 stores in great Bangkok and 56 stores in upcountry) and 8 stores under trademark named HomePro S format (7 stores in great

Bangkok and 1 store in upcountry) based on Q3' 2019 opportunity day's presentation. HomePro S is a sector of HomePro, but the concept of the two stores is slightly different. Accordance with HMPRO strategy on 2Q2017's opportunity day, the S stores focus on urban life and condo living under the 3S concept; SMART, SELECT and SERVICE. Despite small size stores, there are wide ranges of products with click & collect online service. Furthermore, the small-size stores are easily accessible in prime area than the HomePro original format because of limited space availability in Bangkok. The business group has four subsidiaries with different objectives including Market Village, HomePro (Malaysia), Mega Home and DC services Center.

HomePro Malaysia, Home Product Center Plc. hold 99.99 percent of the total shares of those three subsidiaries. Home Product Center (Malaysia) Sdn. Bhd. was established to operate a retail business in Malaysia (HomePro 2019). As of December 31, 2018, the company manages 6 HomePro stores in Malaysia. Unlike other subsidiaries, the parent company owns 100 percent of HomePro in Malaysia. Market Village Co., Ltd is a firm that manages rental space and provides utility service to tenants which was incorporated on May 26, 2005 (HomePro 2019). In 2018, the company operates a total of 4 stores: Suvhannabhumi, Hua-Hin, Phuket-Chalong, and Ratchapruk. Mega Home Center Co., Ltd. operates a retail business and wholesale business, selling construction materials under the trade name "Mega Home" since 2012(HomePro 2019). Mega Home operates 12 stores at the end of 2018, 2 Stores in Great Bangkok and 10 Stores in upcountry. DC Service Center Co., Ltd with an objective to operate the warehousing and distribution of goods was incorporated on July 28, 2011 (HomePro 2019).

1.2.4 Business Plan and Strategy

HMPRO has two main strategies to expand the business and drive revenue as stated by company's representative on 1Q'19 Opportunity day. The first strategy is the store expansion. In early 2019, the company opened two additional branches for HomePro located in Charansanitwong and Mukdahan (upcountry), and one branch of HomePros located in Samyan Midtown (Homepro 2019). MegaHome also has a plan to open two new branches in quarter 4/2019 which is the first store expansion plan in two years (3Q'19 Opportunity day). However, the company did not have a plan to increase any branch in Malaysia within the year 2019 due to the plan to enhance the

operating efficiency of an existing store (3Q'19 Opportunity day). At the end of the year 2019 as Table 1.2 illustrates, the company expected to have a total of 113 stores including 84 HomePro, 9 HomePros, 14 MegaHome and 6 HomePro Malaysia. Market Village which operates the rental space currently manages four stores in Thailand. In addition, the company is planning to continue the store expansion in 2020 said by Miss Wannee Channamonkol, assist managing director from the financial department, on the opportunity day 11th November 2019. Another strategy is margin expansion through private labels. HomePro has more than 36 private brands that sell exclusively on their store in both Homepro and MegaHome and create a higher margin for retail sales. According to the LH securities analyst on 7 November 2019, the ratio of private brands from HomePro increase to 19.9%, compared with 19.6% during the same period in 2018. The ratio of private brands from MegaHome grew at 5% at Q3/2019.

HomePro also focuses on cost efficiency and cost control. The company used the new distribution center sharing between HomePro and MegaHome to reduce the SG&A cost on the report of KGI securities Q3/2019. The company also opened the automated storage near the existing storage which improve the efficiency of the transfer process.

For the marketing side, HomePro motivates its customers by organizing the big exhibitions in Q1 and Q3 at IMPACT Muangthong Thani under the named "HomePro Expo" (3Q'19 Opportunity day). HomePro also created HomePro Fair in various provinces such as Chiangmai and Khonkean to gain brand awareness and customer base in upcountry. HomePro fair event was introduced in the year 2016, and HomePro has received a good response from existing and new customers. The company has a yearly schedule to hold this type of event about 6 times per year targeting customers from inside and outside Bangkok. Also, HomePro has joined the tax redemption program from government campaign to increase private consumption every year in quarter 4 since 2015.

Table 1.1 the number of store expansion in 2014 -2019

Year	Store Expansion					
	2014	2015	2016	2017	2018	2019
No. of ending Stores	74	84	93	102	108	113
HomePro	70	76	80	81	82	84
HomePro S	0	0	0	3	8	9
Mega Home	4	7	11	12	12	14
HomePro Malaysia	0	1	2	6	6	6
# of New Store		10	9	9	6	5

Source: Opportunity Day presentation on 6th November 2019

1.3 Industry Overview and Competitive Positioning

1.3.1 Macro-Economic Analysis

1.3.1.1 Global Economic Slowdown

According to World Economic Outlook October 2019 (International Monetary Fund, 2019), International Monetary Fund organization viewed that the world economy was expected to expand at a slower pace because of the rising trade and geopolitical tensions among major economies especially trade tensions between China and the United States. So, IMF (October 2019) suggested that the global growth is forecast at 3% which is below the previous projection of 3.5% at the first quarter of 2019 because investors are uncertain about the prospects of global trade and international collaboration. Rising tensions on financial markets and geopolitics impact business confidence, investment decision, and global trade (International Monetary Fund, 2019).

Moreover, the manufacturing and export sectors contracted across most economies from a global economic slowdown (International Monetary Fund, 2019). Based on current economic performance, the IMF (2019) suggested that Global growth is projected at 3.4% in 2020 despite an economic improvement of emerging markets in Latin America, the Middle East, and emerging and developing Europe. From IMF Direction of Trade Statistics Figure, most developing countries relied on their export to China and the United States, especially East Asia. Figure 1.2 shows the percentage of total developing regions' exports to major economics including China and the United States. Similar to IMF's view, the World Bank Organization (2019) reported that global

trade growth has recently slowed due to a decline in overall economic growth, and especially investment. As stated in World Development Report 2020 from World Bank Organization, a rise of Global Value Chain (GVC), the production process across countries, is another factor that drives expansion of international trade. GVC helps to boost growth, create jobs and reduce poverty in developing countries. Impact of US-China trade war and trade protectionism policy affects the growth of GVC, so that the firms have an incentive to delay the investment plans (World Bank Organization 2019).

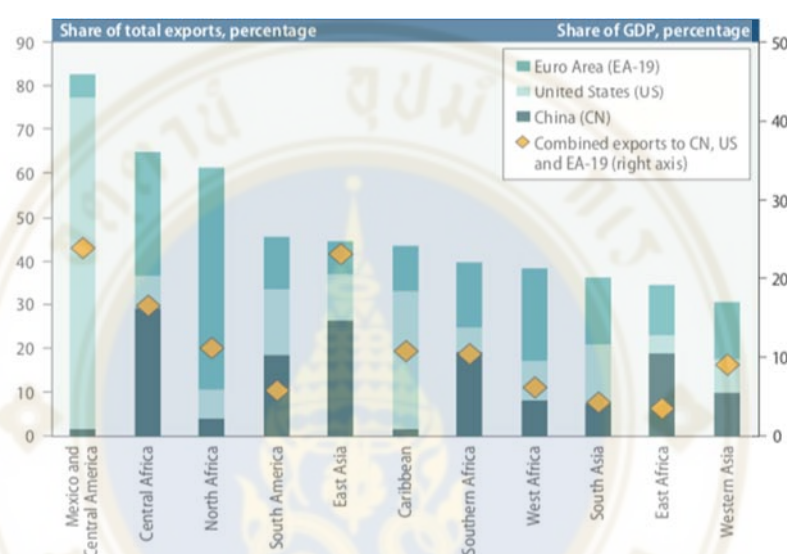


Figure 1.2 Developing regions' exports to selected major economies

Source: UN/DESA, based on IMF Direction of Trade Statistics, CEIC, IMF World Economic Outlook Database April 2019

In contrast with the IMF's forecast, analyst from the United Nations Organization proposed that growth is forecast at 2.7% at the end of 2019 due to the boarded-based weakness in economic performance during the first of the year. Rather than trade tension and geopolitical dispute, UN organization suggested that climate risk is another factor that would prolong weakness in the global economy. The impact of long-term global warming caused heavily natural disasters in 2019 such as severe flood in India, major typhoon in the Philippines and the largest wildfire in California. In 2018, the natural disasters caused damages about 155-225 billion US dollar as reported by three insurance firms (Aon, Munich Re and Swiss Re). Therefore, the projection of consequence year will be 2.9% according to UN Organization's report

in world economic situation and prospects publication as of mid-2019. Nonetheless, both IMF and UN expected to slightly recover in year 2020 due to unsolved trade tensions.

Over the past 12 months there has been a geographically broad-based, notable slowdown in industrial output.



Figure 1.3 Global Activity Indicators

Source: International Monetary Fund (World Economic Outlook: Global Manufacturing Downturn, Rising Trade Barriers 2019)

	Forecast						Change from April 2019 Update ^a	
	2016	2017	2018	2019	2020	2021	2019	2020
Developing EAP ^d	6.4	6.5	6.3	5.8	5.7	5.6	-0.2	-0.3
China	6.7	6.8	6.6	6.1	5.9	5.8	-0.1	-0.3
Developing EAP excl. China ^d	5.0	5.3	5.2	4.9	4.9	5.0	-0.3	-0.3
Developing ASEAN ^d	5.0	5.4	5.3	4.8	5.0	5.0	-0.4	-0.3
Indonesia	5.0	5.1	5.2	5.0	5.1	5.2	-0.2	-0.2
Malaysia	4.4	5.7	4.7	4.6	4.6	4.6	-0.1	0.0
Philippines	6.9	6.7	6.2	5.8	6.1	6.2	-0.6	-0.4
Thailand	3.3	3.9	4.1	2.7	2.9	3.0	-1.1	-1.0
Vietnam	6.2	6.8	7.1	6.6	6.5	6.5	0.0	0.0
Cambodia	7.0	7.0	7.5	7.0	6.8	6.8	0.0	-0.1
Lao PDR	7.0	6.9	6.3	6.5	6.7	6.6	-0.1	0.0
Myanmar	6.0	6.8	6.5	6.6	6.7	6.8	0.1	0.1
Mongolia	1.4	5.4	6.8	6.9	6.3	5.9	-0.3	-0.6
Fiji	2.6	5.2	4.2	2.7	3.0	3.0	-0.7	-0.3
Papua New Guinea	4.1	2.7	-0.5	5.6	3.1	3.5	0.5	0.0
Solomon Islands	3.2	3.7	3.9	2.7	2.9	2.7	-0.2	0.1
Timor-Leste ^e	5.1	-3.5	-1.1	4.2	4.6	4.9	0.3	0.0
Assumptions about the external environment:^c								
World	2.6	3.2	3.0	2.5	2.5	2.6	-0.2	-0.3
Advanced economies	1.7	2.4	2.2	1.6	1.4	1.4	-0.1	-0.2
Emerging and developing economies	4.1	4.5	4.3	3.7	4.2	4.4	-0.5	-0.4
Crude oil (spot, US\$/barrel)	43	53	68	62	60	61	-2	-5
Non-energy commodities (index, 2010=100)	79	84	85	81	81	82	-2	-4
Food (index, 2010=100)	90	90	90	86	86	87	-2	-3

Figure 1.4 East Asia and Pacific economic outlook

Source: World Bank data and staff estimates

1.3.1.2 Prolonged Slow Growth in Thailand's Economy

Thailand's economy is projected to grow by 2.7%, 2.9%, 3.0% in 2020, 2021 and 2022, respectively, according to the World Bank organization forecasted in October 2019. The decline in the export and manufacturing sector is the major concern on the contraction of Thai economy. Also, the economics of trading partner is slowing down, and the trade protection and new regulations imposed on foreign trade obstructed the global trade volume. Figure 1.4 show the estimated GDP growth of Thailand and trading partner. However, Private consumption is resilient due to benefits from the government welfare card scheme. As a result, the economy expanded by 2.4% (% YoY) in the third quarter.

Deloitte's economic outlook report 2019 suggested that the electricity and gas sectors also continuously increased while the sectors such as tourism, residential real estate, and retail and wholesale were expected to decelerate due to the economic slowdown and decline of the Chinese customers. Based on the statistics from the Association of Thai Travel Agents, tourists from ASIA market has been declined since 2018. According to Figures 1.5 and 1.6, a strong Thai Baht against our competitors and trade partners weighs on tourism and export. Also, private investment declined caused by export contraction and domestic demand slowdown. In terms of public spending, as reported by Monetary Policy Report (June 2019), the public investment decelerates owing partly to delays in state-owned enterprise investment projects on transportation infrastructure.

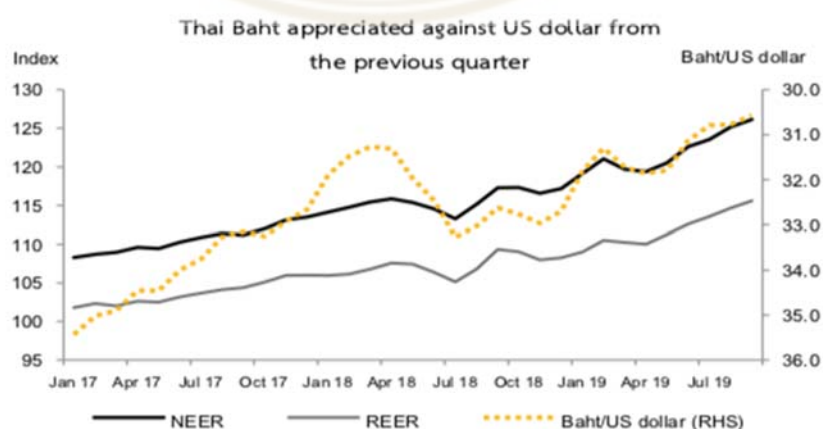


Figure 1.5 Thai Baht appreciated against US dollar

Source: CEIC, Bank of Thailand

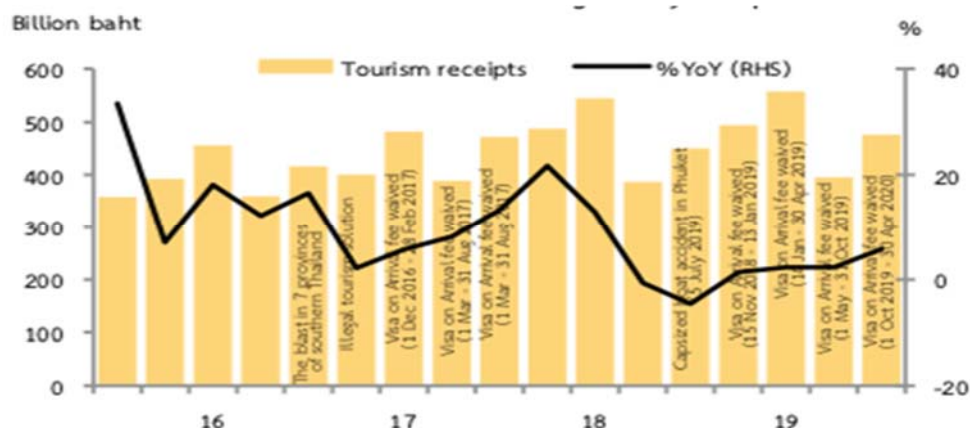


Figure 1.6 Income from foreign tourists

Source: Ministry of Tourism and Sports

Moreover, Ph.D. Thitima Chuchard, an economist of bank of Thailand, stated that seventy Percent of Central Bank announced a plan to lower interest rates several times, especially long-term government bond in order to withstand the continuing economic slowdown since the second half of the year.

SCBEIC Forecast summary 2019-2020					
Key indicators	Unit	2018	2019F		2020F
			August 2019	October 2019	October 2019
GDP	%YOY	4.1	3.0	2.8 ▼	2.8
Private Consumption	%YOY	4.6	4.5	4.2 ▼	3.2
Public Consumption	%YOY	1.8	2.0	1.9 ▼	2.0
Private Investment	%YOY	3.9	3.4	2.8 ▼	2.7
Public Investment	%YOY	3.3	2.9	2.2 ▼	4.9
Export value (USD BOP basis)	%YOY	7.5	-2.0	-2.5 ▼	0.2
Imports value (USD BOP basis)	%YOY	13.7	-2.9	-3.4 ▼	0.3
Headline Inflation	%YOY	1.1	0.9	0.8 ▼	0.8
Core Inflation	%YOY	0.7	0.6	0.5 ▼	0.7
Brent	USD/Brl.	71.7	66.5	64.1 ▼	62.3
	%YOY	31.0	-7.3	-10.6 ▼	-2.9
Exchange rate	THB/USD	32.3	30-31	30.3-30.8	30-31
Policy rate (end-year)	%	1.75	1.25	1.25 =	1.25

Compare to previous forecasts: ▲ Upward revision ▼ Downward revision = Unchanged
Source: EIC analysis

Figure 1.7 SCBEIC Forecast summary 2019-2020

Source: Siam Commercial Bank Economic Intelligence Center

Similarly, SCBEIC, a unit of Siam Commercial Bank PCL, expected Thailand GDP growth to 2.8% at the end of 2019 and 2020 based on three key forecasts consist of prolonged slowdowns in export sector, low policy rates and sustained Baht appreciate. Moreover, domestic demand for durable goods consumption is projected to decelerate in 2020 owing to the pressure from high household debt environment and bank loan deceleration. EIC suggested that there is a positive relationship between loan growth and durable goods consumption. Therefore, Thailand economy is projected to grow at a slower pace in 2020.

1.3.1.3 Malaysia Outlook

Malaysia's economic growth eased mirroring the slowdown in global economic growth. In view of analyst from World Bank (June 2019), even though the economy grew at 4.5% and 4.9% in the first and the second quarter of the year, the overall economic activity is weaker than expected due to declining external demand for electronics manufacturing exports and agriculture products, private consumption. Not to mention the public sector, the government remained committed to its the fiscal consolidation plan to reduce fiscal deficit. Without the Goods and Services Tax (GST) zeroization that enforced in June and August 2018, private consumption grows at a slow pace in 2019 since private consumption is the key driver of domestic demand growth. World Bank organization foresees Malaysian GDP growth at 4.6% and it will remain constant from 2019 - 2021 because of a decline in global demand for Malaysian exports. However, during the foreword of the Economic Outlook 2020, Lim Guan Eng (Finance Minister of Malaysia) is maintaining its target for GDP growth at 4.8% in 2020, increased by 0.1% from 2019 owing to a healthy labor market, low and stable inflation, and comfortable current account.

1.3.2 Industry Analysis

Retail and Wholesale outlook in Thailand

HomePro is categorized in the Service industry under Commerce (COMM) sector in the Stock Exchange of Thailand. Most of peer companies in this sector are retails and wholesales with physical stores. According to Kasikorn Research on retail trade 2020, the retail sector is expected to grow approximately 2.7-3.0%, which is lower than the projection of 3.1% in 2019 as a result of weak consumer purchasing power.

Correspondingly, Office of the National Economic and Social Development Council (NESDC)'s outlook for 2019-2020, a softening in the retail and wholesale trade sector is caused by the deceleration of household spending and consumer confidence. In addition, a delay in public transportation and a decline in private construction harm the growth of construction sector. Furthermore, a tighter mortgage loan announced in April 2019. As Figure 1.8 depict, this regulation slowed down housing loans because of more cautious in lending and discourage the potential homebuyers. Sluggish growth of HMPRO in Thailand is the consequence of ease growth of the retail and wholesale sector together with the construction sector because HomePro stores relied on home and office appliances, and MegaHome relied on new construction or renovation. However, traditional traders, wholesalers of construction material such as Hardware House, will grow from the Mega-Project carried out by the government, and modern traders, retailers such as HomePro and Siam Global House, will grow their existing customers and changing consumer behavior that favors a store with a wide range of products, as reported by Krungsri Research.

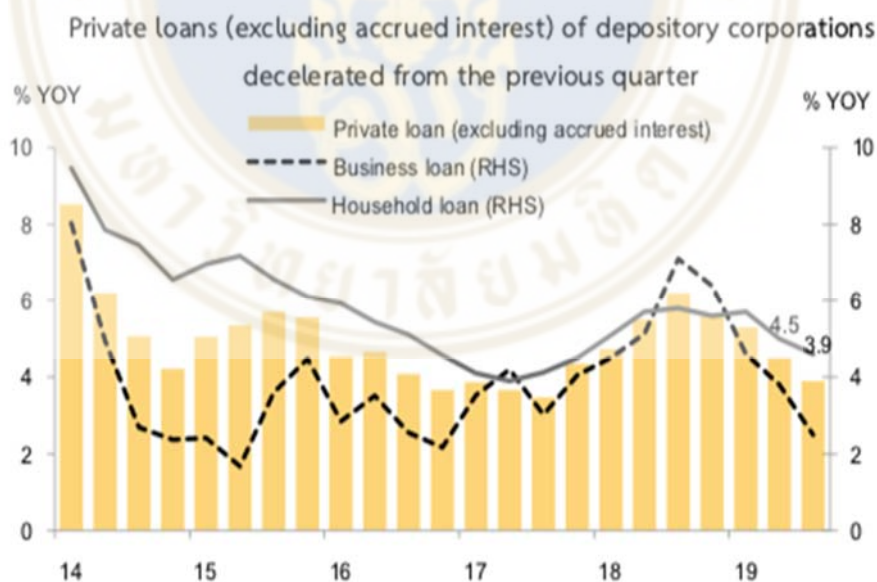


Figure 1.8 Private Loans (excluding accrued interest) of depository corporations

Source: Bank of Thailand

Rank	Company	Market Share (%)	Business Type
1	Home Product Center	9.2	Modern
2	CRC Thai Watsadu	3.1	Modern
3	Siam Global House	3.0	Modern
4	Dohome	2.7	Modern
5	Boonthavorn Group	2.1	Modern
6	Mega Home Center	1.0	Modern
7	Grand Home Mart	0.6	Modern
8	Hardware house	0.5	Traditional
9	Home Hub	0.4	Modern
10	Rojpaiboon	0.4	Traditional

Figure 1.9 Key Traders by Sales (Retailers of Construction Material)

Source: Department of Business Development (as of 2017), complied by Krungsri Research

HomePro is a one-stop Shopping Home Center providing a wide range of products; furnishing, home decoration, home appliances, and construction materials. Comparing with the size and nature of the business, the direct competitor is Siam Global House Public Limited Company (Global: traded symbol in the Stock Exchange of Thailand) who delivered the same goods and services as HomePro do. However, the main target customers are slightly different between the two firms. HomePro focuses on retail customers in greater Bangkok, while Global focuses on contractors and projectors in upcountry. Global House has 61 branches in all four regions in Thailand.

Rather than Global House, CRC Thai Watsadu with 49 stores and Do Home with 12 stores are also competitors of MegaHome. For home decoration and home appliances section, there are three major competitors consist of IKEA, Central retail and Index Living Mall (ILM). IKEA, the multinational group, opened three branches in Thailand. Central retail has several segments that related to home improvement such a Power Buy, Baan & Beyond (operate in Thailand and Vietnam) and Home & DIY. Index Living Mall is a fierce competitor of HomePro because Index Living Mall not only operate in Thailand but also operate in Malaysia. In addition, ILM operates space rental and rendering service business, and operates OEM businesses that produce products for foreign operators. Moreover, ILM and Do Home offered Initial Public Offering in 2018 and aim to use the new capital to open more stores.

According to Figure 1.9, Krungsri Research (2019) viewed that home product business is in a highly competitive market because of changes in customer's buying behavior from traditional stores to modern retailers regarding to the urban lifestyle as well as the expansion of the urbanization in all regions. However, HMPRO target a home-owners group with high income earner (HomePro 2019). Due to the number of branches and the percentage of market share, HomePro is still the leading company according to data from the Department of Business Development (as of 2017) measured in terms of sales. Even though the compound annual growth rate of modern retail construction stores was 9.6% in 2018 (compiled by Krungsri Research), HomePro slows down store expansion plan due to the weak consumer spending power. Therefore, HomePro recently focuses on private brand expansion and invests in Smart Automation DC in order to control cost and improve profit margin.

1.4 Valuation

There are two valuation methods to appraise the value of HMPRO which are Discounted Cash Flow (DCF) and Relative analysis. For valuation analysis in this paper use Relative Valuation to determine HMPRO's stock price at the end of 2019 and 2020 which the historical information trailing and forwards PE ratio, PBV ratio and EV/EBITDA of HomePro and competitors are extracted from Thomson Reuters Eikon. Then we use HomPro estimate earning per shares, Book Value and EBITDA at the end of 2019 and 2020 from the same forecasted assumption with Discount Cash Flow valuation.

1.4.1 Investment Summary

A relative valuation is a multiple method to evaluate the company's value compared with its peer competitors and industry to determine its financial worth which investors may use relative valuation models to determine whether the stock price is expensive or not compared to its peer competitors and industry average also whether to buy or sell the stock.

There are three major relative valuation models are widely used, Price to Earning per share (PE ratio), Price to book value per share (PBV ratio) and Enterprise Value per Earning before interest and taxes and depreciation and amortization (EV/EBITDA).

In this paper we will evaluate HMPRO's stock price from forwards multiple ratio to determine HMPRO's target price of 2019 and 2020.

According to the valuation on EV/EBITDA multiple the target price of HomePro is 13.4 baht for 2019 and 14.1 baht for 2020 with downside loss of 23% and 17% respectively. The company stock price is already overvalued and compared to industry average HomePro is expensive than the industry due to the high multiple ratio.

1.4.2 Trailing PE Ratio

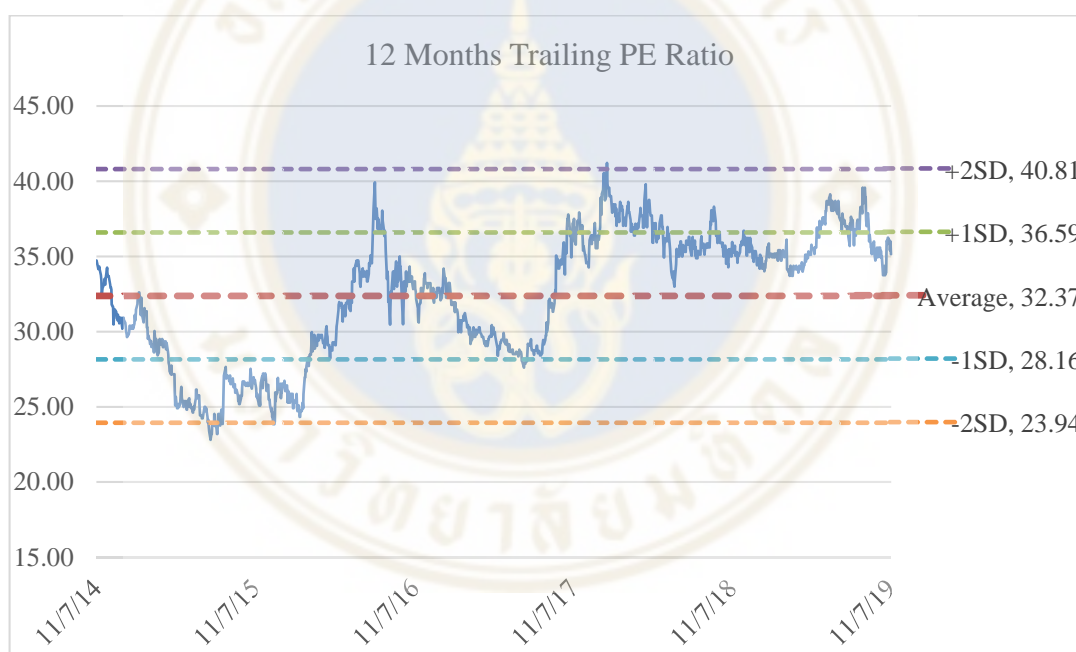


Figure 1.10 HMPRO's Trailing PE ratio

Source: Thomson Reuter Eikon

Note: Current P/E as of 25 October 2019: 33.89x

Higher than 5Y P/BV average: 32.37x

Lower than the +1SD band: 36.58x

Conclusion: "in relation to itself", the firm is overvalued

According to the historical trailing PE Ratio, HMPRO's price is overvalued in relation to itself as the company's current PE ratio is 33.89 times which is higher than 32.37 times of its past five years average. However, it's lower than 36.68 time of its +1SD band. At the current HOMPRO's PE Ratio, it indicates that investors are willing to pay premium on HMPRO's stock at 33.89 times of its trailing Earning per share.

1.4.3 Trailing PBV ratio

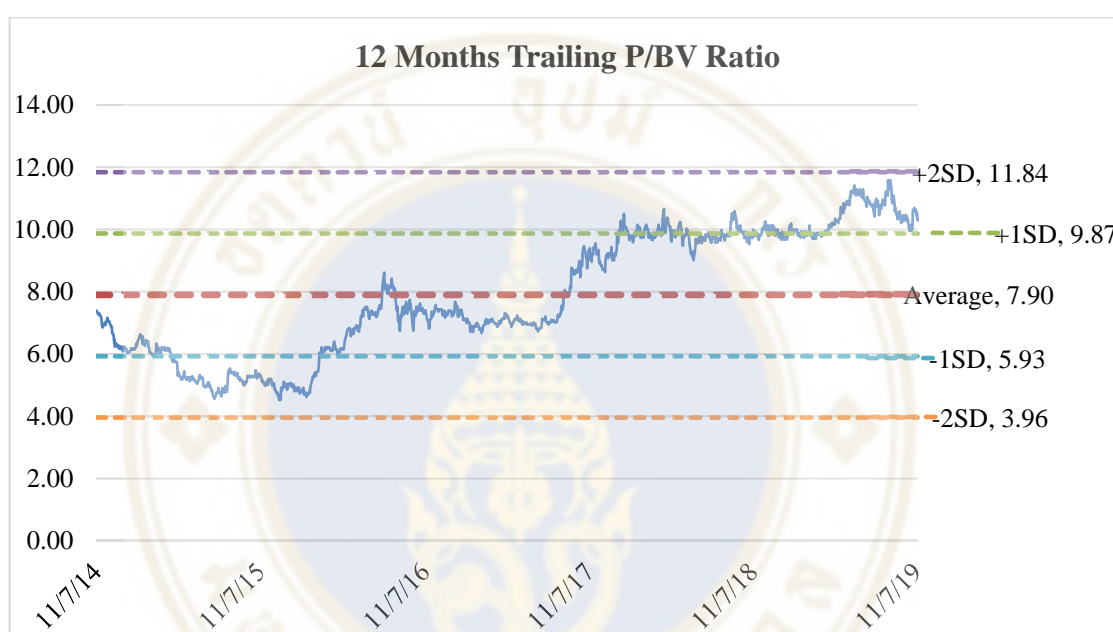


Figure 1.11 HMPRO's Trailing PBV ratio

Source: Thomson Reuter Eikon

Note: Current P/BV as of 25 October 2019: 9.98x

Higher than 5Y P/BV average: 7.88x

Slightly higher than the +1SD band: 9.83x;

Lower than the +2SD band: 11.79x

Conclusion: "in relation to itself", the firm is overvalued

HMPRO's trailing PBV ratio shows the same trends as its PE ratio. Based on PBV ratio, in relation to itself Home Pro price is already overvalued. The company's current PBV is 9.98x higher than 7.88x of its 5 years average and also slightly higher than 9.83x of its +1SD band. At its current PBV ratio 9.98x it indicates that investors

are willing to pay premium on HMPRO's stock 9.98x of the company book value or net asset value.

1.4.4 Peer Analysis

Since Home product improvement are not much listed in stock exchange in the market there are only HomePro, Global and index living mall are listed in commerce industry so we wider the scope of selection competitors to commerce industry and focus on retail business. Thus, we come up with 6 peer competitors, CPALL, BJC, MACRO, GLOBAL, IVM and ROBINS. The Six selected company operates retail business in Thailand.

Table 1.2 Peer Analysis

Symblo	Company name	Market Capital (MB)	Price	Beta	ROE	Dividend Payout	Growth	Dividend Yield	Profit Margin	
1	CPALL CP ALL PUBLIC COMPANY LIMITED	THB822,057	76.0	1.03	25.9%	50.0%	12.9%	1.6%	4.2%	
2	BJC BERLI JUCKER PUBLIC COMPANY LIMITED	THB339,336	45.5	1.19	6.3%	42.0%	3.6%	1.7%	4.1%	Deleted for PBV
3	MAKRO SIAM MAKRO PUBLIC COMPANY LIMITED	THB169,414	33.5	0.94	34.3%	76.0%	8.2%	3.1%	2.9%	Deleted for EV/EBITDA
4	GLOBAL SIAM GLOBAL HOUSE PUBLIC COMPANY LIMITED	THB85,795	17.0	1.16	13.0%	43.0%	7.4%	1.2%	6.8%	Deleted for PBV
5	IVM INDEX LIVING MALL PUBLIC COMPANY LIMITED	THB14,109	16.9	1.31	12.3%	N/A	N/A	N/A	6.6%	Deleted for PE and PBV
6	ROBIN ROBINSON PUBLIC COMPANY LIMITED	THB74,566	65.8	0.65	15.1%	56.0%	6.6%	2.1%	24.0%	Deleted for all multiple
	Average			1.05	17.8%		7.8%	1.9%	8.1%	
	Median			1.10	14.0%		7.4%	1.7%	5.4%	
	HMPRO HOME PRODUCT CENTER PUBLIC COMPANY LIMITE	THB229,069	16.5	0.92	32.4%	80.0%	6.5%	2.16%	9.1%	

Source: Thomson Reuter and Settrade

Regarding to the analysis, there are some inappropriate peers to compare as benchmark in each multiple. First, we remove ROBINS from the benchmark as the company has large difference in beta and profit margin also the company is leaving Stock Exchange of Thailand. For PE ratio, we remove ILM since it has large different beta. For PBV ratio, we remove more BJC, GLOBAL and IVM since they have relatively low ROE compared to others. Lastly for EV/EBITDA, we remove MAKRO as it has the lowest profit margin.

1.4.5 HMPRO's Target price based on multiple ratio analysis

Table 1.3 HMPRO's Target price based on multiple ratio analysis

Symblo	Company name	Market	Country	Currency	Market Capital (MB)	Closing price	Trailing P/E ratio	Trailing P/BV ratio	12M Trailing EV/EBITDA	Forward P/E ratio	Forward P/BV ratio	12M Forward EV/EBITDA	
1	CPALL	CP ALL PUBLIC COMPANY LIMITED	SET	Thailand	THB	THB822,057	76.0	31.42	7.73	19.06	26.2	6.42	16.72
2	BIC	BERLI JUCKER PUBLIC COMPANY LIMITED	SET	Thailand	THB	THB339,336	45.5	26.63	1.64	16.58	23.6		14.55
3	MAKRO	SIAM MAKRO PUBLIC COMPANY LIMITED	SET	Thailand	THB	THB169,414	33.5	26.67	8.8	16.19	24.5	7.2	
4	GLOBAL	SIAM GLOBAL HOUSE PUBLIC COMPANY LIM SET	SET	Thailand	THB	THB85,795	17.0	36.71	4.66	24.53	30.1		20.01
5	IVM	INDEX LIVING MALL PUBLIC COMPANY LIMIT SET	SET	Thailand	THB	THB14,109	16.9	10.75	3.54	10.62			8.94
6	ROBIN	ROBINSON PUBLIC COMPANY LIMITED	SET	Thailand	THB	THB74,566	65.8	27.24	3.98	18.01			
Average							26.57	5.06	17.50		26.10	6.81	15.06
Median							26.96	4.32	17.30		25.35	6.81	15.64
HMPRO		SET	Thailand	THB	THB229,069	16.5	35.49	11.14	21.64	30.78	9.34	18.9	
							Closing price	Trailing EPS	Trailing BV/EBITDA per Share	Fwd EPS	Fwd BVS	Fwd EBITDA per Share	
HMPRO								0.46	1.48	0.76			
Price based on Trailing and Industry median							16.5	12.53	6.40	13.19			
HMPRO 2019										0.48	1.63	0.86	
Price 2019 based of forward and industry median							16.5			12.20	11.07	13.43	
HMPRO 2019										0.52	1.76	0.90	
Price 20120 based of forward and industry median							16.5			13.15	11.95	14.11	

Source: Thomson Reuter and Settrade

According to analysis, HMPRO has higher price compared with industry's average in all selected relative valuation models since HMPRO has higher multiple compared with industry average and median in all multiple ratio. According to the calculation, HMPRO target price in 2019 based on Forward EPS, BVS and EBITDA per share are projected to be 12.20 baht, 11.07 baht and 13.43 baht respectively. Compared with its current market price 16.5 baht per share, HMPRO stock price is already expensive and overvalued. Further projected HMPRO stock price in year 2020 has not much deviate from the year 2019 forecast, the company price based on forward EPS, forward BVS and forward EBITDA per share are 13.15 baht, 11.95 baht and 14.11 baht respectively.

Due to several weaknesses of PBV which it only appropriate for the firm that are going to exit from the business and it is inappropriate to use for firm that has different levels of fixed assets and firm that has different accounting treatments we would not use PBV ratio to estimate HMPRO's target price. For PE ratio, since it evaluates HMPRO's price based on earning per share where the company earning is already taken into account of depreciation and amortization we recommend to use EV/EBITDA multiple to estimate HMPRO's Price.

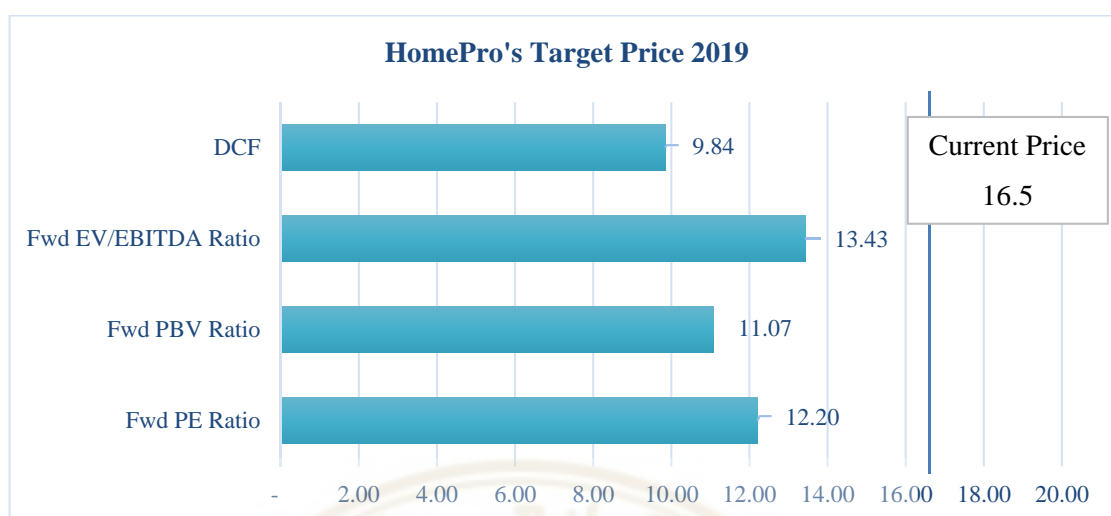


Figure 1.12 HMPRO's Target Price 2019

Source: Calculation

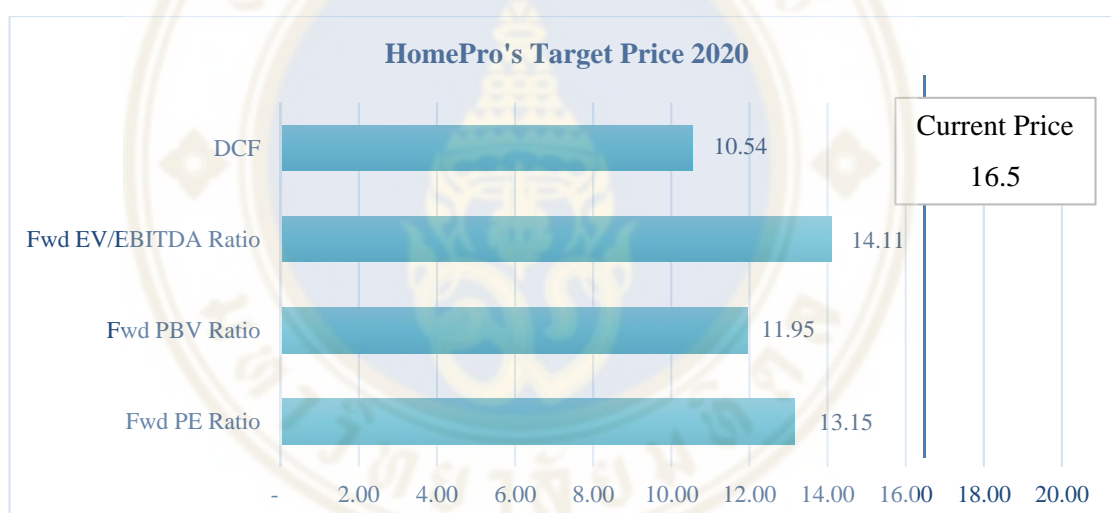


Figure 1.13 HMPRO's Target Price 2020

Source: Calculation

According to the results of EV/EBITDA multiple we recommend HMPRO's target price of 13.4 baht for 2019 and 14.1 baht for 2020 with downside loss of 23% and 17% respectively. So, we would recommend to sell HMPRO as it's already overvalue. However, the market price of 2019 might reflect in the earlier of 2020 since investors still give high expect on HMPRO

CHAPTER II

DATA

2.1 Financial Summary

2.1.1 Financial Statement

The financial analysis part shown the nature of Home Pro income statement, financial position and cash flow statement. Also, the company common size and growth trend analysis will be discussed. Including key financial ratio of Home Pro compares with Global, Home Pro competitor.

Table 2.1 Income Statement

(Unit: MillionBaht)	2014	2015	2016	2017	2018
Sales income	47,965	52,513	56,928	59,888	61,581
Rental and Service income	1,191	1,477	1,825	1,896	1,975
Other Income	2,053	2,253	2,391	2,450	2,494
Total revenues	51,209	56,243	61,144	64,234	66,050
Cost of Sales	(35,473)	(39,000)	(42,405)	(44,050)	(44,644)
Gross profit	15,736	17,243	18,739	20,185	21,406
SG&A	(11,058)	(12,260)	(13,129)	(13,746)	(14,040)
Operating Profit	4,677	4,984	5,611	6,439	7,366
Other Expenses	(60)	(23)	(12)	(5)	(44)
EBIT	4,617	4,960	5,599	6,434	7,322
Interest Expense	(466)	(544)	(504)	(448)	(400)
EBT	4,151	4,417	5,095	5,987	6,922
Income Tax	(838)	(918)	(970)	(1,100)	(1,310)
Net Income	3,313	3,499	4,125	4,886	5,613

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

Home Pro's total revenue was 66.05 billion baht in 2018, kept increasing over time compared to the past 5 years. The company's major spending is on cost of sales which shown 44.64 billion baht followed by Selling and General admin expenses in 14.04 billion baht in 2018. The company end up with net income of 5.61 billion baht in 2018 which increases overtime responds to its revenue growth.

In the first three quarters of 2019 Home Pro's total revenue continue to grow in the first three quarters of 2019 compared to the same period last year, Total revenue of

first nine months recorded at 50.49 billion baht increases YoY by 1.63 billion baht. The company expenses and net income still in the same trends with past year performance but there are little changes in revenue and expenses grouping after adoption “TFRS15”. However, there is no impact to net income.

Table 2.2 Balance Sheet

	2014	2015	2016	2017	2018	As of Sep'19
Assets						
Current assets						
Cash and cash equivalents	2,435	2,698	3,721	2,505	6,238	2,315
Trade and other receivables	1,620	1,704	1,895	1,797	1,999	1,559
Inventories	8,031	8,365	9,672	10,343	10,245	9,838
Other current assets	705	600	613	597	524	503
Total current assets	12,791	13,367	15,900	15,242	19,006	14,215
Non-current assets						
Investment properties	2,765	3,218	3,047	2,814	2,612	2,453
Property, buildings and equipment	26,352	27,655	29,540	29,422	29,327	29,615
Leasehold rights	1,967	2,158	2,517	2,620	2,973	3,178
Other non-current assets	438	593	742	851	893	1,081
Total non-current assets	31,522	33,624	35,846	35,708	35,805	36,327
Total assets	44,313	46,991	51,746	50,949	54,811	50,542
Liabilities and shareholders' equity						
Current liabilities						
Short-term loans from financial institutions	-	-	1,507	341	340	283
Trade and other payables	12,075	12,763	14,032	14,085	14,371	13,449
Current portion of long-term loans	700	700	700	300	208	89
Current portion of debentures	2,300	4,000	4,050	3,500	6,700	8,000
Other current liabilities	1,701	2,001	2,202	2,152	2,033	1,887
Total current liabilities	16,777	19,464	22,491	20,378	23,651	23,709
Non-current liabilities						
Long-term loans - net of current portion	1,800	1,100	400	211	-	-
Debentures - net of current portion	9,050	8,550	10,200	10,700	10,000	6,000
Other non-current liabilities	985	975	1,164	1,026	1,246	1,358
Total non-current liabilities	11,835	10,625	11,764	11,937	11,246	7,358
Total liabilities	28,611	30,088	34,256	32,315	34,897	31,066
Shareholders' equity						
Issued and fully paid-up Capital (1 Baht per Share)	12,329	13,151	13,151	13,151	13,151	13,151
Premium on ordinary shares	646	646	646	646	646	646
Retained earnings	2,726	3,105	3,693	4,837	6,117	5,678
Total shareholders' equity	15,702	16,903	17,490	18,635	19,914	19,476
Total liabilities and shareholders' equity	44,313	46,991	51,746	50,949	54,811	50,542

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

In the year 2018, Home Pro total asset was 54.84 billion baht with its current assets 19 billion baht and non-current assets 35.81 billion baht. The company's current assets major hold in Inventories approximately 10 billion baht each year and cash 2.5-3.7 billion baht. In the year 2018, Cash and Cash equivalent of Home Pro raised up to 6.24 billion baht due to the company issued new bond debenture 6 billion baht to refinance bond maturity in the same year and upcoming bond maturity in 2019. As of September 2019, the company's cash and cash equivalent dropped to 14.22 billion baht as the company repaid 2.7 billion baht of bond debenture, However, the company already issue new bond 3.17 billion baht on 14th Nov 2019, to prepare for their expansion. Home Pro major hold its noncurrent assets in term of Property Plant and equipment which present the nature of the business, Home Pro currently operates 113 stores as of 31 October 2019.

In term of Liability, Home Pro had liability 34.89 billion baht in 2018 consisted of current liabilities 23.65 billion baht and non-current liabilities 11.25 billion baht. The company's current liabilities are major in Trade and other payables 14.37 billion baht and current portion of long-term debenture 6.7 billion baht. The company non-current liabilities are major from bond debenture which is the sources of funds. As of September 2019, the company still have to same liability structures as historical.

Home Pro's equity reached 19.91 billion baht which major raised in company retain earning while the company paid up capital is constant at 13.15 billion baht after fully paid-up in 2015.

In conclusion the company may hold assets in PPE, inventories and Cash or Cash equivalent where the company sources of funds are major from capital issued, profit from operating business and bond debentures.

Table 2.3 Cash Flow statement

Unit: MB	Cash Flow					As of Sep 2019
	2014	2015	2016	2017	2018	
Earning before income tax	4,151	4,417	5,095	5,987	6,922	5,457
Add Back Depreciation & Amortization	2,264	2,721	2,905	3,066	3,064	2,193
Non-Cash item	503	712	742	591	579	405
Change in NWC	(767)	483	(252)	(593)	(243)	(265)
Cash paid for interest expenses	(407)	(529)	(505)	(473)	(382)	(268)
Cash paid for corporate income tax	(831)	(911)	(999)	(1,051)	(1,215)	(1,319)
Net Cash Flow from Operating Activities	4,913	6,893	6,987	7,526	8,725	6,203
Acquisitions of leasehold rights	(496)	(263)	(441)	(198)	(455)	(297)
Acquisitions of property, plant and equipment	(5,502)	(3,794)	(4,436)	(2,714)	(2,249)	(2,059)
Decrease (increase) in construction retention	(10)	(84)	166	(193)	(71)	(26)
Acquisitions of investment properties	(1,021)	(604)	(150)	(53)	(53)	(14)
Others	(32)	(141)	(89)	(76)	(41)	(6)
Net cash flows used in investing activities	(7,061)	(4,886)	(4,950)	(3,233)	(2,870)	(2,402)
Cash received from short-term loans from financial institutions	(1,360)	5,460	2,507	9,949	3,441	237
Repayment of short-term loans from financial institutions	-	(5,460)	(1,000)	(11,115)	(3,431)	(275)
Increase (decrease) in liabilities under finance lease agreements	(1)	1	(9)	(7)	4	(4)
Cash received from long-term loans	1,000	-	-	111	-	-
Repayment of long-term loans	(600)	(700)	(700)	(700)	(300)	(112)
Proceeds from the issuance of debentures	5,050	3,500	5,700	4,000	6,000	-
Repayment of debentures	-	(2,300)	(4,000)	(4,050)	(3,500)	(2,700)
Dividend paid	(305)	(2,219)	(3,550)	(3,683)	(4,339)	(4,861)
Net cash flows used in financing activities	3,784	(1,718)	(1,052)	(5,495)	(2,125)	(7,715)
Translation adjustments	(9)	(26)	38	(13)	2	(9)
Net increase (decrease) in cash and cash equivalents	1,627	263	1,023	(1,216)	3,733	(3,923)
Cash and cash equivalents at beginning of year	807	2,435	2,698	3,721	2,505	6,238
Cash and cash equivalents at end of year (Note 7)	2,435	2,698	3,721	2,505	6,238	2,315

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

Home Pro ending cash balance at the end of 2018 reached 6.24 billion baht, higher than usual since the company issue additional bond debenture 6 billion baht to refinance bond maturity in 2018 and up-coming in early 2019. The Company's major source of cash is from net operating cash flow and the use of cash are spending for investing on PPE, repayment on bond debenture and paying Dividend to shareholders. The company had high expansion during 2013 to 2016 and delay investment since 2017.

As of September 2019, the company ending cash balance dropped to 2.32 billion baht, reflected bond repayment 2.7 billion baht.

2.1.2 Common Size

2.1.2.1 Income Statement (Common Size)

Table 2.4 Income Statement (Common Size Analysis)

Unit: MB	Income Statement (Common Size)							
	2014	2015	2016	2017	2018	9M 2019	9M 2018	Chg.
Sales income	93.7%	93.4%	93.1%	93.2%	93.2%	93.2%	93.6%	
Rental and Service income	2.3%	2.6%	3.0%	3.0%	3.0%	3.9%	3.6%	
Other Income	4.0%	4.0%	3.9%	3.8%	3.8%	3.0%	2.8%	
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Cost of Sales	-69.3%	-69.3%	-69.4%	-68.6%	-67.6%	-68.4%	-69.1%	0.7%
Gross profit	30.7%	30.7%	30.6%	31.4%	32.4%	31.6%	30.9%	0.7%
SG&A	-21.6%	-21.8%	-21.5%	-21.4%	-21.3%	-20.1%	-20.4%	0.2%
Operating Profit	9.1%	8.9%	9.2%	10.0%	11.2%	11.5%	10.5%	0.9%
Other Expenses	-0.1%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%
EBIT	9.0%	8.8%	9.2%	10.0%	11.1%	11.4%	10.5%	0.9%
Interest Expense	-0.9%	-1.0%	-0.8%	-0.7%	-0.6%	-0.6%	-0.6%	0.0%
EBT	8.1%	7.9%	8.3%	9.3%	10.5%	10.8%	9.9%	0.9%
Income Tax	-1.6%	-1.6%	-1.6%	-1.7%	-2.0%	-2.0%	-1.9%	-0.2%
Net Income	6.5%	6.2%	6.7%	7.6%	8.5%	8.8%	8.0%	0.7%
Depreciation & Amortization	4.4%	4.8%	4.8%	4.8%	4.6%	4.3%	4.7%	-0.3%
EBITDA	13.4%	13.7%	13.9%	14.8%	15.7%	15.8%	15.2%	0.6%

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

At the end of September 2019, Home Pro core revenue is revenue from sales income which represent 93% of its total revenue and the rest are from rental and services income and other income. As a result of adoption of “TFRS15”, mix of rental and services income increased 1% from 2018 and mixed of other income reduced by 1%. The company gross profit improved by 70 bps due from increasing in own brand sales mixed. SG&A improved 20 bps due from operating efficiency however this is offset for little raise in tax expenses. The company’s EBITDA margin improved 60 bps from 15.2% to 15.8% of total revenues.

2.1.2.2 Balance Sheet (Common Size)

Table 2.5 Balance Sheet (Common Size Analysis)

	Balance Sheet (Common Size)					As of Sep'19
	2014	2015	2016	2017	2018	
Assets						
Current assets						
Cash and cash equivalents	5.5%	5.7%	7.2%	4.9%	11.4%	4.6%
Trade and other receivables	3.7%	3.6%	3.7%	3.5%	3.6%	3.1%
Inventories	18.1%	17.8%	18.7%	20.3%	18.7%	19.5%
Other current assets	1.6%	1.3%	1.2%	1.2%	1.0%	1.0%
Total current assets	28.9%	28.4%	30.7%	29.9%	34.7%	28.1%
Non-current assets						
Investment properties	6.2%	6.8%	5.9%	5.5%	4.8%	4.9%
Property, buildings and equipment	59.5%	58.9%	57.1%	57.7%	53.5%	58.6%
Leasehold rights	4.4%	4.6%	4.9%	5.1%	5.4%	6.3%
Other non-current assets	1.0%	1.3%	1.4%	1.7%	1.6%	2.1%
Total non-current assets	71.1%	71.6%	69.3%	70.1%	65.3%	71.9%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities and shareholders' equity						
Current liabilities						
Short-term loans from financial institutions	0.0%	0.0%	2.9%	0.7%	0.6%	0.6%
Trade and other payables	27.3%	27.2%	27.1%	27.6%	26.2%	26.6%
Current portion of long-term loans	1.6%	1.5%	1.4%	0.6%	0.4%	0.2%
Current portion of debentures	5.2%	8.5%	7.8%	6.9%	12.2%	15.8%
Other current liabilities	3.8%	4.3%	4.3%	4.2%	3.7%	3.7%
Total current liabilities	37.9%	41.4%	43.5%	40.0%	43.2%	46.9%
Non-current liabilities						
Long-term loans - net of current portion	4.1%	2.3%	0.8%	0.4%	0.0%	0.0%
Debentures - net of current portion	20.4%	18.2%	19.7%	21.0%	18.2%	11.9%
Other non-current liabilities	2.2%	2.1%	2.3%	2.0%	2.3%	2.7%
Total non-current liabilities	26.7%	22.6%	22.7%	23.4%	20.5%	14.6%
Total liabilities	64.6%	64.0%	66.2%	63.4%	63.7%	61.5%
Shareholders' equity						
Issued and fully paid-up Capital (1 Baht per Share)	27.8%	28.0%	25.4%	25.8%	24.0%	26.0%
Premium on ordinary shares	1.5%	1.4%	1.2%	1.3%	1.2%	1.3%
Retained earnings	6.2%	6.6%	7.1%	9.5%	11.2%	11.2%
Total shareholders' equity	35.4%	36.0%	33.8%	36.6%	36.3%	38.5%
Total liabilities and shareholders' equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

Home Pro's main assets are held in terms of property, building and equipment which took around 58-60% of its total assets followed by inventories 20% and leasehold right 6.3% on its total assets. The company's cash and cash equivalents are counted around 5-6% but in 2018 the company cash and cash equivalent reached 11.4% of its total assets from issuing bond debenture.

With regards to the company's total liabilities and shareholders' equity, the company's principal source of funds is from shareholder's equity 34-39% of its total liabilities and shareholders' equity followed by the company bond debenture 28-30% and trade and other payables which are supplier credits 27-28% of its total liabilities and shareholders' equity.

Significant Account Change

List of adoption of "TFRS15"

- Moved Home and service income which previously grouped as other income to Rent and Service income.
- Moved logistic cost, previously group in Selling, distribution and services expenses to cost of sales which resulted in lower margin but there is no impact to net income.
- Also moved rental cost and service cost from selling, distribution and services expenses to cost of rental and services.

2.1.3 Trend Analysis

Table 2.6 Income Statement (Trend Analysis)

Unit: MB	Income Statement (Trend Analysis)				
	2014	2015	2016	2018	9M 2019
Sales income	100.0%	109.5%	118.7%	128.4%	98.1%
Rental and Service income	100.0%	124.1%	153.2%	165.9%	163.9%
Other Income	100.0%	109.8%	116.5%	121.5%	72.9%
Total revenues	100.0%	109.8%	119.4%	129.0%	98.6%
Cost of Sales	100.0%	109.9%	119.5%	125.9%	97.4%
Gross profit	100.0%	109.6%	119.1%	136.0%	101.3%
SG&A	100.0%	110.9%	118.7%	127.0%	91.9%
Operating Profit	100.0%	106.5%	119.9%	157.5%	123.7%
Other Expenses	100.0%	38.2%	19.7%	72.6%	23.2%
EBIT	100.0%	107.4%	121.3%	158.6%	125.0%
Interest Expense	100.0%	116.7%	108.1%	85.8%	67.7%
EBT	100.0%	106.4%	122.7%	166.8%	131.5%
Income Tax	100.0%	109.6%	115.8%	156.3%	122.8%
Net Income	100.0%	105.6%	124.5%	169.4%	133.7%
Depreciation & Amortization	100.0%	120.1%	128.3%	135.3%	96.8%
EBITDA	100.0%	111.6%	123.6%	150.9%	115.7%

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

Table 2.7 Balance Sheet (Trend Analysis)

	Trend Analysis (Common Size)					As of Sep'19
	2014	2015	2016	2017	2018	
Assets						
Current assets						
Cash and cash equivalents	100.0%	110.8%	152.8%	102.9%	256.2%	95.1%
Trade and other receivables	100.0%	105.2%	117.0%	110.9%	123.4%	96.2%
Inventories	100.0%	104.2%	120.4%	128.8%	127.6%	122.5%
Other current assets	100.0%	85.2%	86.9%	84.7%	74.4%	71.4%
Total current assets	100.0%	104.5%	124.3%	119.2%	148.6%	111.1%
Non-current assets						
Investment properties	100.0%	116.4%	110.2%	101.8%	94.5%	88.7%
Property, buildings and equipment	100.0%	104.9%	112.1%	111.7%	111.3%	112.4%
Leasehold rights	100.0%	109.7%	128.0%	133.2%	151.1%	161.5%
Other non-current assets	100.0%	135.2%	169.3%	194.2%	203.6%	246.7%
Total non-current assets	100.0%	106.7%	113.7%	113.3%	113.6%	115.2%
Total assets	100.0%	106.0%	116.8%	115.0%	123.7%	114.1%
Liabilities and shareholders' equity						
Current liabilities						
Short-term loans from financial institutions						
Trade and other payables	100.0%	105.7%	116.2%	116.6%	119.0%	111.4%
Current portion of long-term loans	100.0%	100.0%	100.0%	42.9%	29.7%	12.7%
Current portion of debentures	100.0%	173.9%	176.1%	152.2%	291.3%	347.8%
Other current liabilities	100.0%	117.6%	129.5%	126.5%	119.5%	110.9%
Total current liabilities	100.0%	116.0%	134.1%	121.5%	141.0%	141.3%

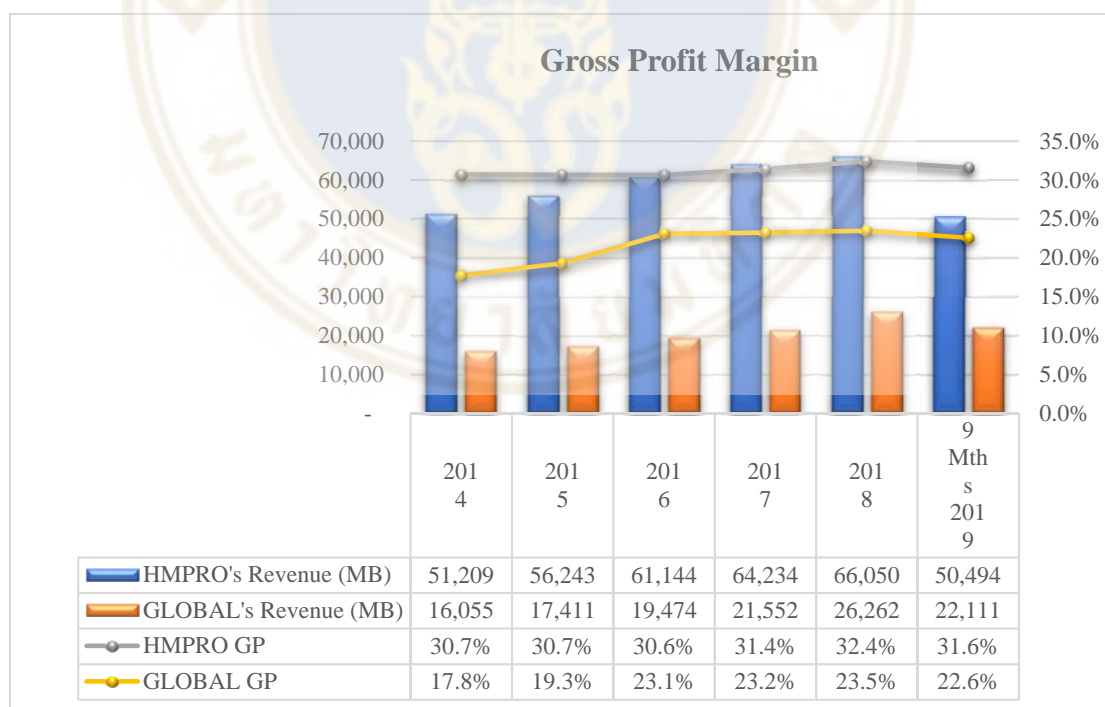
Table 2.7 Balance Sheet (Trend Analysis) (cont.)

	Trend Analysis (Common Size)					As of Sep'19
	2014	2015	2016	2017	2018	
Non-current liabilities						
Long-term loans - net of current portion	100.0%	61.1%	22.2%	11.7%	0.0%	0.0%
Debentures - net of current portion	100.0%	94.5%	112.7%	118.2%	110.5%	66.3%
Other non-current liabilities	100.0%	99.0%	118.3%	104.2%	126.6%	137.9%
Total non-current liabilities	100.0%	89.8%	99.4%	100.9%	95.0%	62.2%
Total liabilities	100.0%	105.2%	119.7%	112.9%	122.0%	108.6%
Shareholders' equity						
Issued and fully paid-up Capital (1 Baht per Share)	100.0%	106.7%	106.7%	106.7%	106.7%	106.7%
Premium on ordinary shares	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Retained earnings	100.0%	113.9%	135.5%	177.4%	224.4%	208.3%
Total shareholders' equity	100.0%	107.6%	111.4%	118.7%	126.8%	124.0%
Total liabilities and shareholders' equity	100.0%	106.0%	116.8%	115.0%	123.7%	114.1%

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

2.1.4 Key Financial Ratio

2.1.4.1 Profitability Ratio

**Figure 2.1** Gross Profit Margin

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

Illustrated by gross profit margin figure, HomePro's revenue is 3 times higher than Global over the past five years. Also, the HMPRO still be able generate higher gross profit margin 8%-9% since the year 2016. In the year 2018, HMPRO's gross profit margin is 32.4% which increased by 180 bps from 30.6% in 2016 while GLOBAL slightly increased by 40 bps at the same period from 23.1% to 23.5%. But GLOBAL's gross profit margin show significant increased during 2014 to 2016 by 530 bps from changing in pricing strategy, increased of house brand mixed and negotiation with suppliers. As of September 2019, HMPRO margin slightly dropped due to moving of logistic cost, distribution and service but the margin is expected to be improved in quarter four from rental income, service income and other income. However, Home Pro has potential to increase its gross profit margin by 2% over the next five years as the company' strategy is to increase private brand from 20% to 25%.

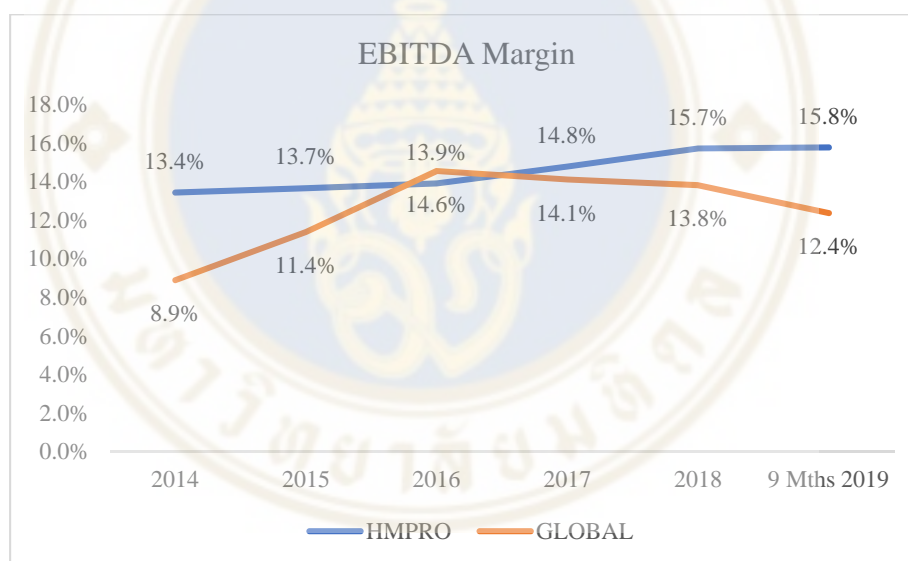


Figure 2.2 EBITDA Margin

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

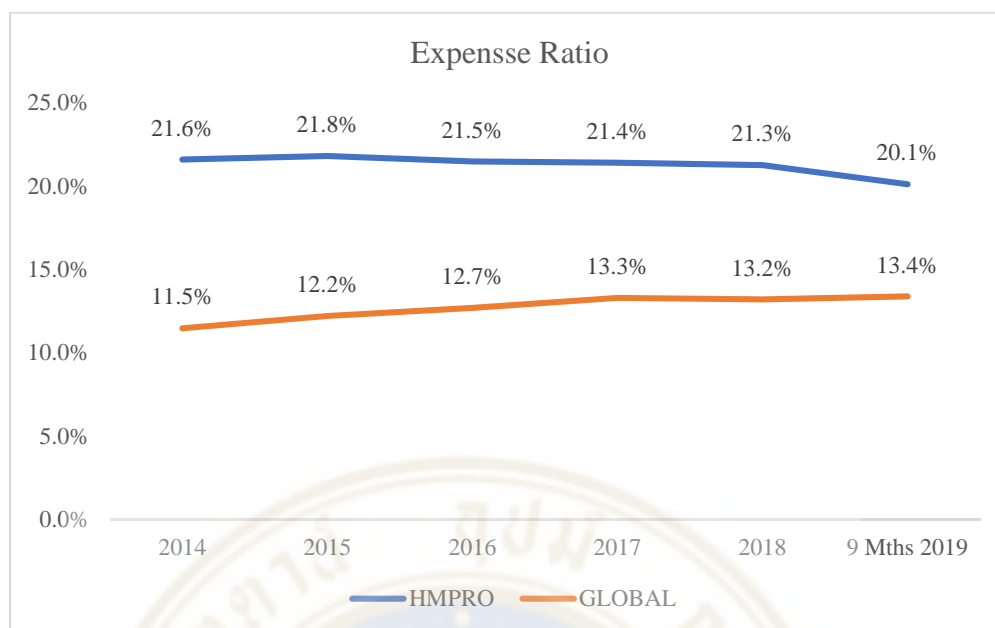


Figure 2.3 Expense Ratio

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

Even HMPRO has higher expenses ratio than GLOBAL 6-7% but It's obviously seen that HMPRO SG&A expenses keeps improving over the past five years whereas GLOBAL keeps raising over time. The improvement of HMPRO's SG&A due from operating efficiency and it's more improve in current nine-month of 2019 due from efficiency of new distribution center between HMPRO and MegaHome. The company SG&A efficiency resulted in HMPRO's EBITDA margin increased from 13.4% in 2014 to 15.8% in 9 months 2019.

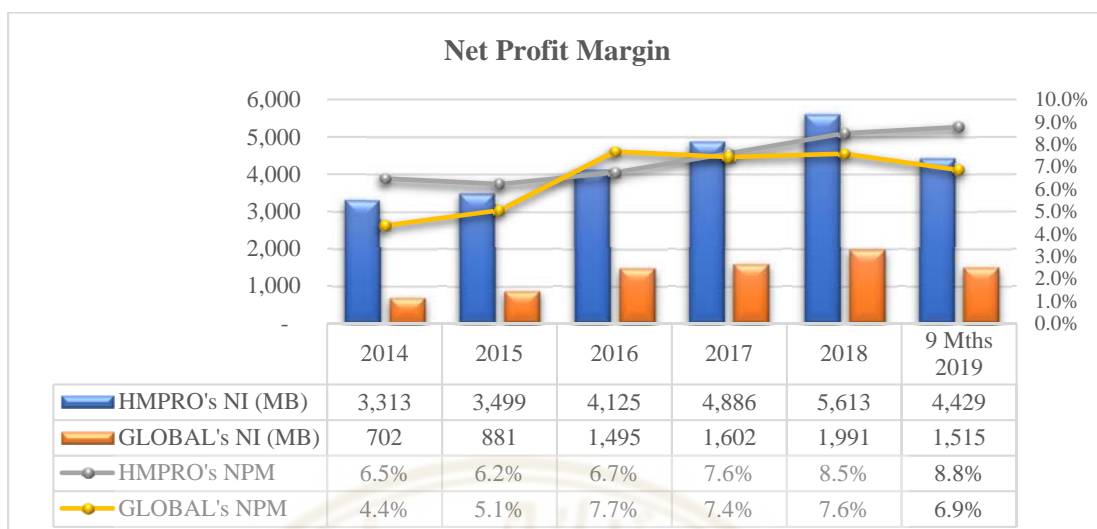


Figure 2.4 Net Profit Margin

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

HMPRO Net Profit Margin also keeps increasing over the past five years which increased by 230 bps from 6.5% in 2014 to 8.7% nine months 2019, driven by improving of gross profit margin and SG&A efficiency.

2.1.4.2 Liquidity Ratio

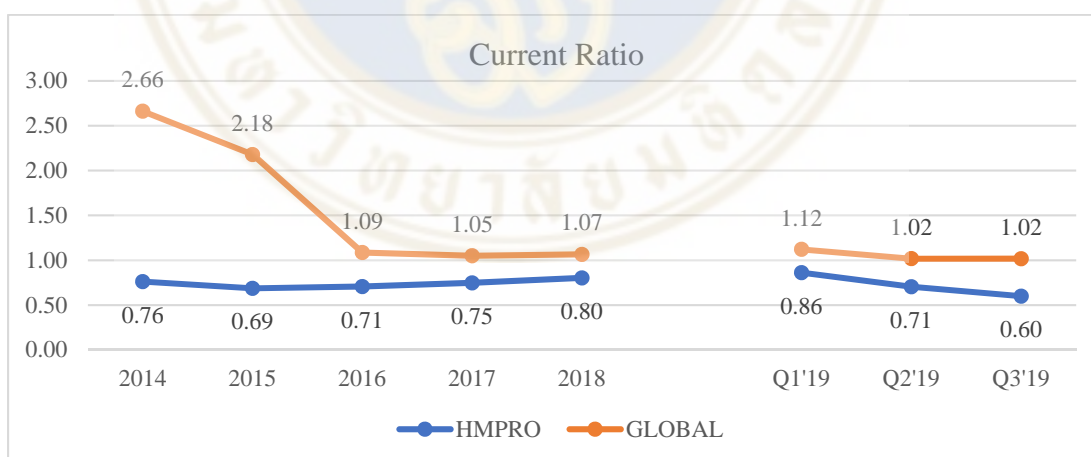


Figure 2.5 Current Ratio

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

Even Figure 2.5 shows HMPRO has lower current ratio (CA/CL) than GLOBAL as always but this due to GLOBAL keeps high inventories the average reached to 40% of its total assets while HMPRO Keeps only 18-20% of its total assets.

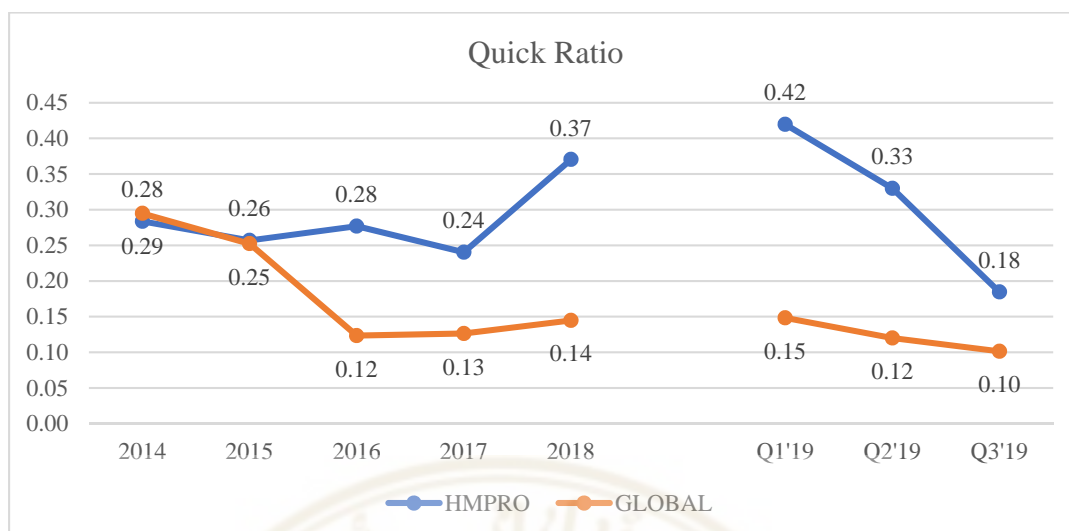


Figure 2.6 Quick Ratio

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

According to quick ratio and cash ratio, HMPRO has higher liquidity than HMPRO over the past five years. Normally, HMPRO Quick ratio and Cash ratio are averaged around 0.25x and 0.15x respectively but in 2018 HMPRO had issued additional bond debenture 6,000 MB for repayment on bond maturity in 2018 and upcoming bond maturity in Q3'19 this resulted in HMPRO's Quick ratio increases to 0.37x and 0.42x in 2018 and Q1'19

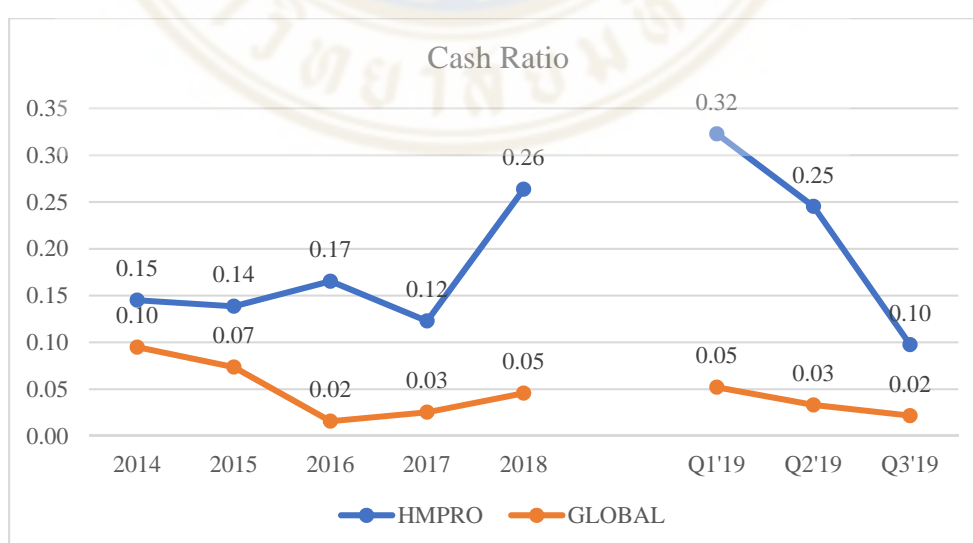


Figure 2.7 Cash Ratio

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

Also, HMPRO's Cash ratio increases to 0.26x in 2018 and 0.32x in Q1'19. In Q3'19 HMPRO's quick ratio and cash ratio dropped to 0.18x and 0.10x respectively due to increase in current portion of bond debenture 4,700 MB since Q2'19 and it was paid 2,700 MB in Q3'19. However, we HMPRO's quick ratio and cash ratio expects to be normal for year 2019 as the company had issue more bond debenture with no coupon bond in Q4'19 3,170 MB.

2.1.4.3 Efficiency Ratio

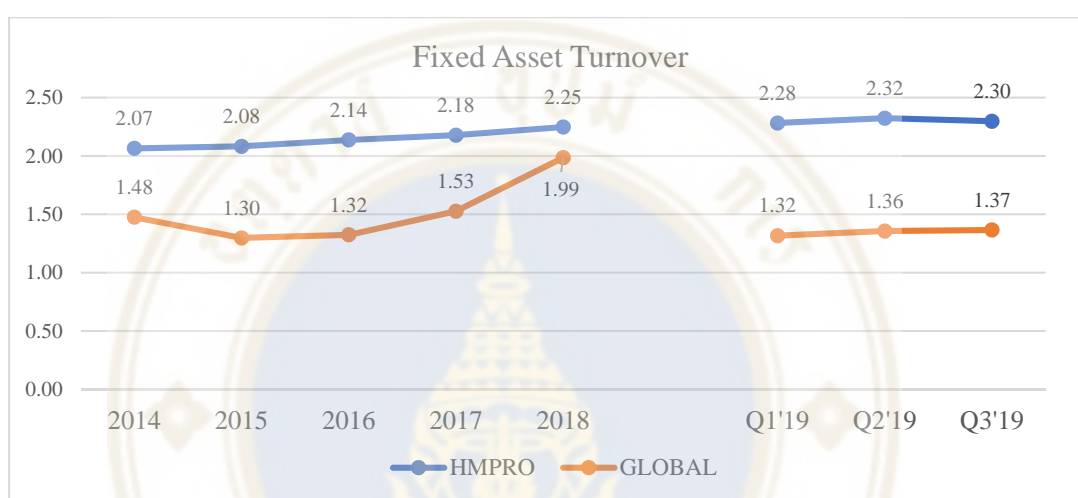


Figure 2.8 Fixed Asset Turnover

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

HMPRO has 2 -2.3 times ability to utilize its fixed asset to generate revenue over the past five years which higher than GLOBAL around 1.5 times. In 2018 GLOBAL Fixed asset turnover raised up to 1.99 times, shows the highest over the past five years due from revenue growth 22% in 2018.

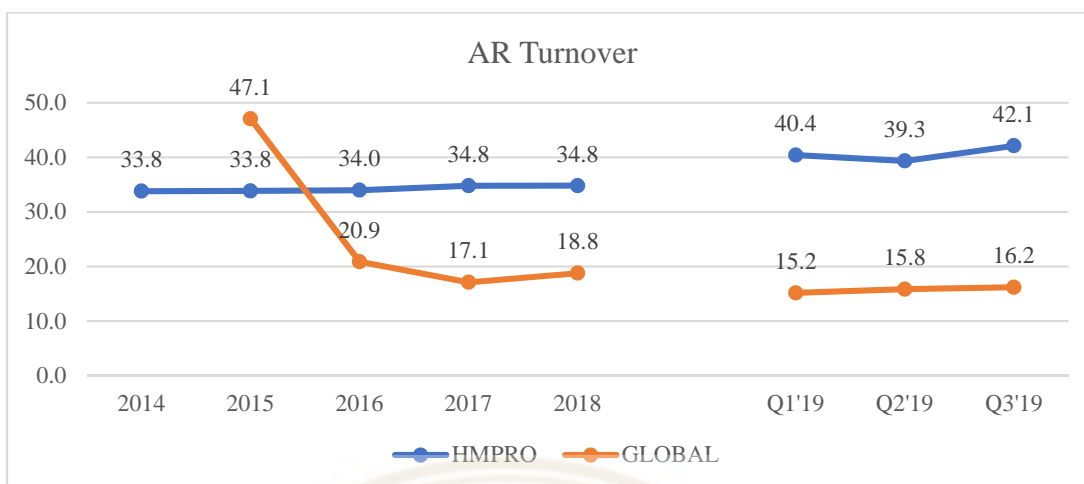


Figure 2.9 AR Turnover

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

HMPRO has high ability to collect its account receivable at 34.8 times in 2018 and reached to 42.1 times in 3Q19. According to Figure 2.9 its present that HMPRO has better efficiency to collect its receivable than GLOBAL.

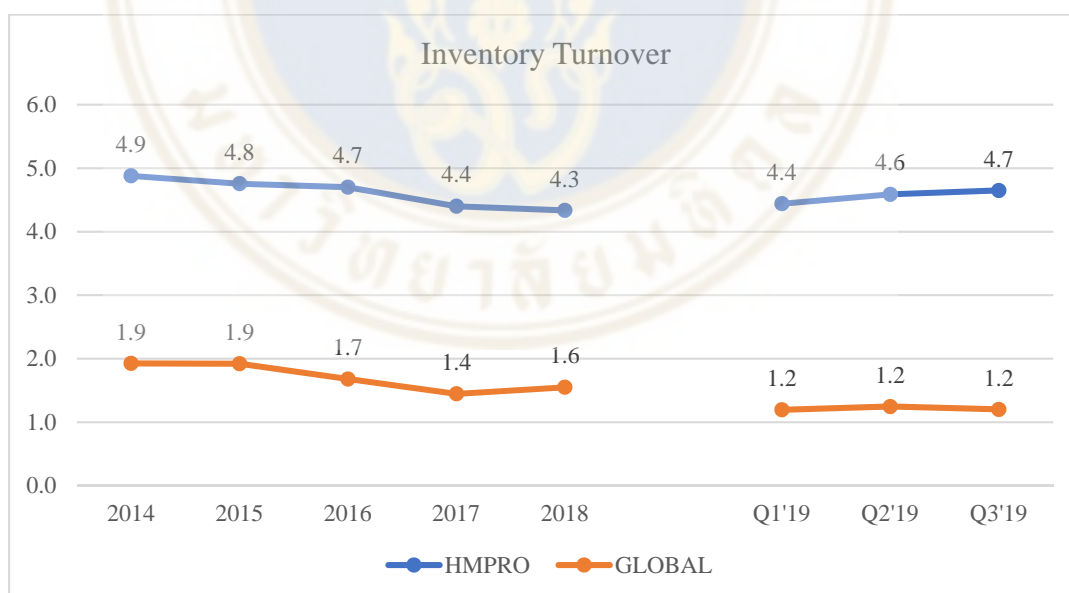


Figure 2.10 Inventory Turnover

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

HMPRO has better ability to turn its inventory into sales than GLOBAL around 2-3 times. In 2018 HMPRO's inventory turnover is 4.3 times while GLOBAL is only 1.6 times.

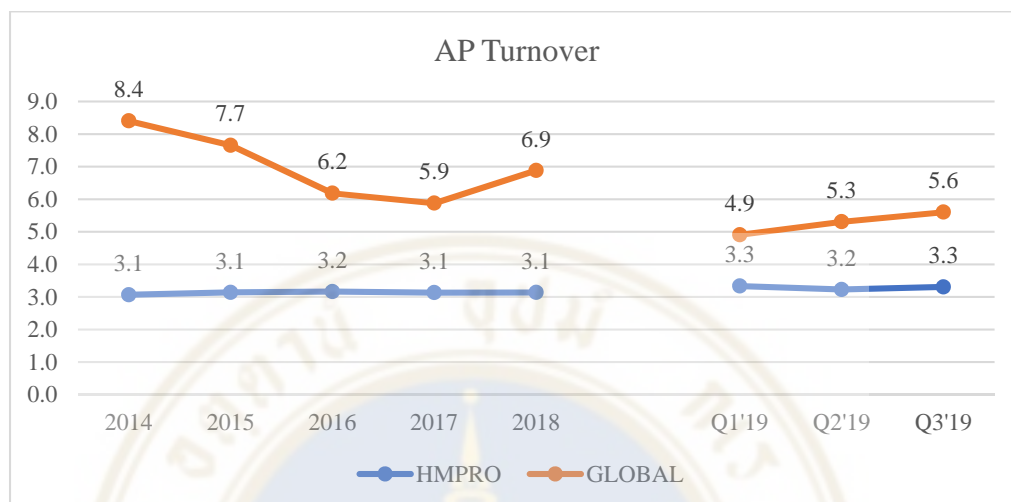


Figure 2.11 AP Turnover

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

HMPRO has better account payable than GLOBAL about 2 times in 2018 due to the company has better credit from its supplier than GLOBAL.

2.1.4.4 Solvency ratio

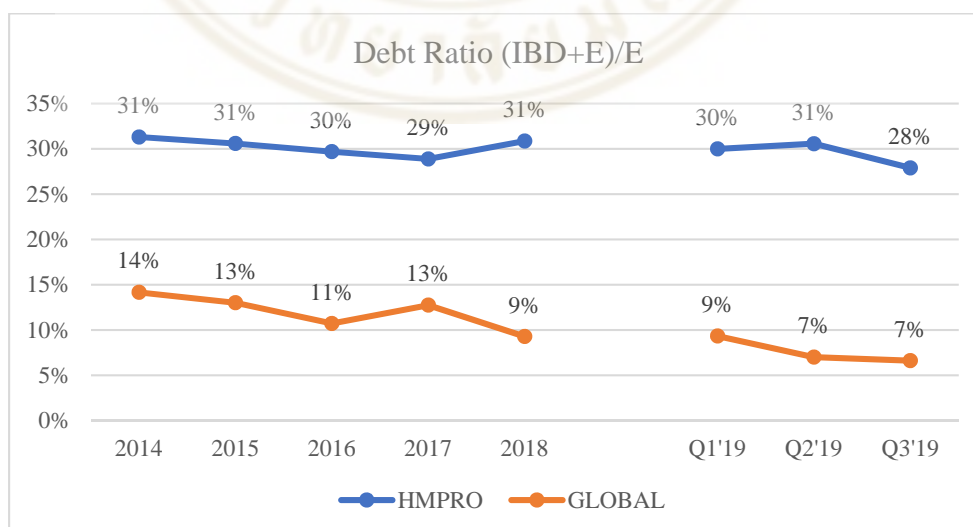


Figure 2.12 Debt Ratio

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

HMPRO has high debt ratio around 30% which is higher than GLOBAL but according to the study, GLOBAL is more funding from short term financing rather than HMPRO.

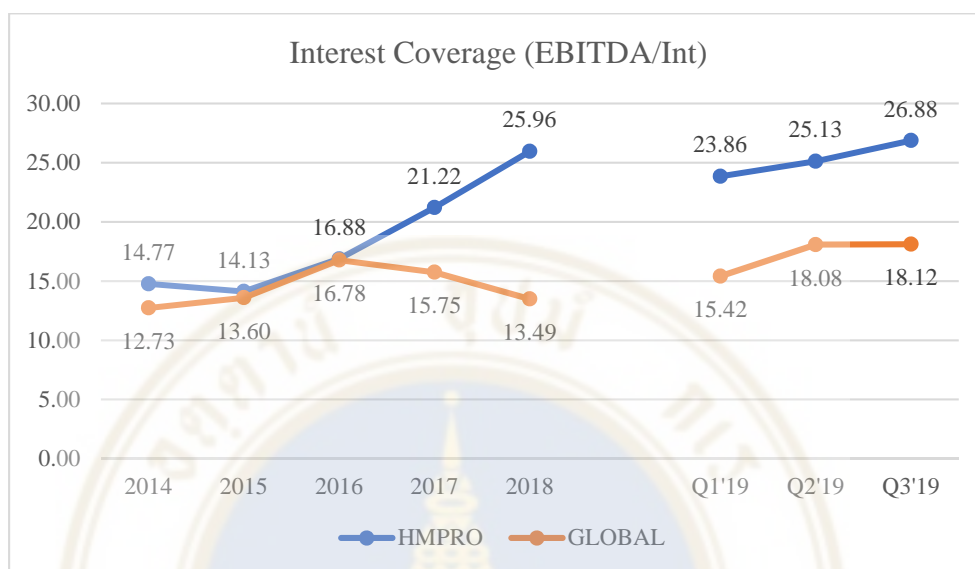


Figure 2.13 Interest Coverage

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

According to interest coverage ratio, HOMPRO has better ability to interest on its outstanding debts compared with GLOBAL. Further, the ratio can imply that HOMPRO has low insolvency risk.

2.1.5 Working Capital management

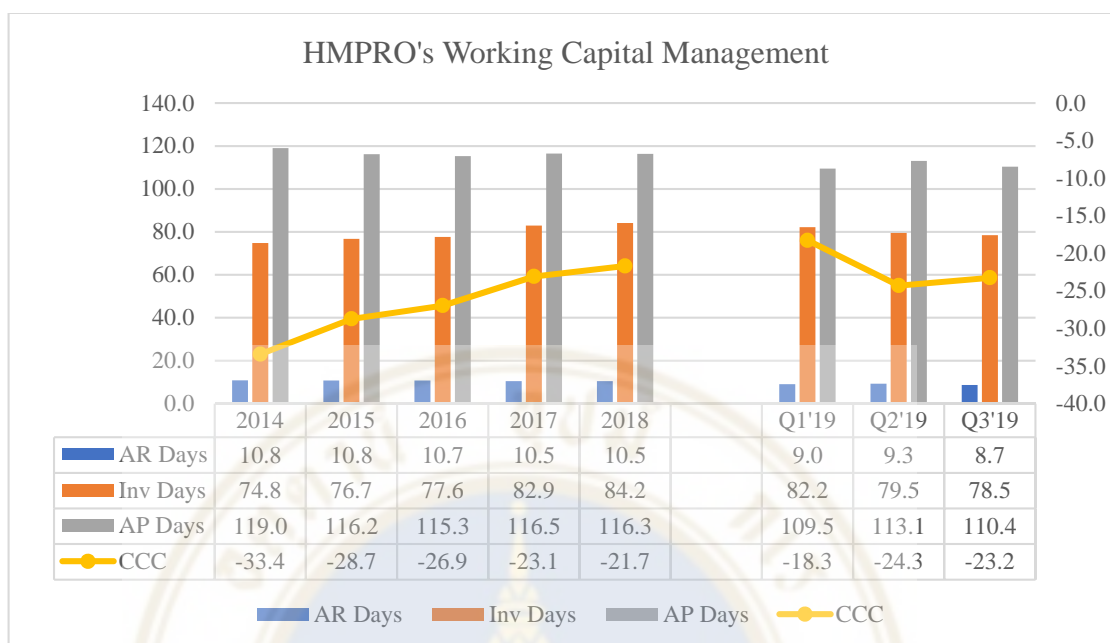


Figure 2.14 HMPRO's Working Capital Management

Source: HomePro Financial Statement and Global Financial Statement from Securities and Exchange Commission (Thailand)

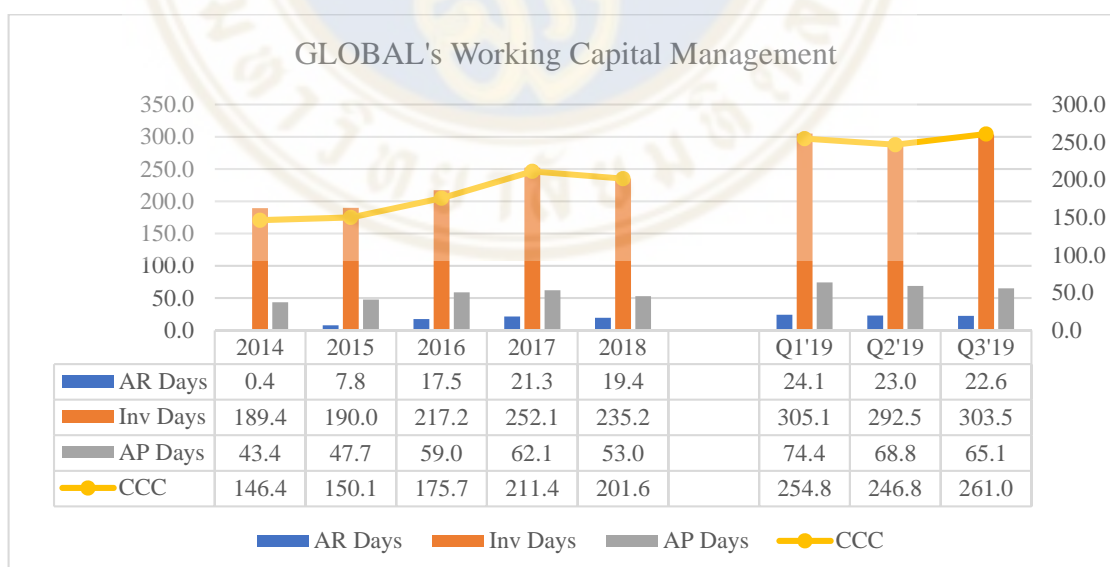


Figure 2.15 GLOBAL's Working Capital Management

Source: HomePro Financial Statement and Global Financial Statement from Securities and Exchange Commission (Thailand)

According to Figure 2.14 and 2.15, it's obviously seen that HMPRO has better working capital management compared to GLOBAL. HMPRO's CCC is negative which imply that HMPRO cash collect cash from their customers before paying inventories to their suppliers. The key different of the two company are inventory days and AP days. HMPRO takes faster inventories turnover which takes around 3 months to generate sales while GLOBAL takes longer around 3 to 4 times to convert their inventory into sales. Further HMPRO has better credit from suppliers which the company can take around 4 months to pay back their suppliers while GLOBAL get only 2 months for credit term

2.1.6 Dupont Analysis

Table 2.8 HMPRO's Dupont Analysis

HomePro	2014	2015	2016	2017	2018		Q1'19	Q2'19	Q3'19
ROE	23%	21%	25%	26%	29%		28%	30%	32%
Net Profit Margin	6%	6%	7%	8%	8%		9%	9%	9%
Total Asset Turnover	1.3	1.2	1.2	1.3	1.2		1.2	1.3	1.4
Equity Multiplier = TA/TE	2.8	2.8	3.0	2.7	2.8		2.6	2.7	2.6

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

Table 2.9 GLOBAL's Dupont Analysis

GLOBAL	2014	2015	2016	2017	2018		Q1'19	Q2'19	Q3'19
ROE	31%	6%	10%	12%	14%		9%	10%	10%
Net Profit Margin	24%	5%	8%	7%	8%		7%	7%	7%
Total Asset Turnover	0.9	0.8	0.8	0.8	0.9		0.7	0.7	0.7
Equity Multiplier = TA/TE	1.5	1.5	1.7	2.1	2.1		2.0	2.1	2.2

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

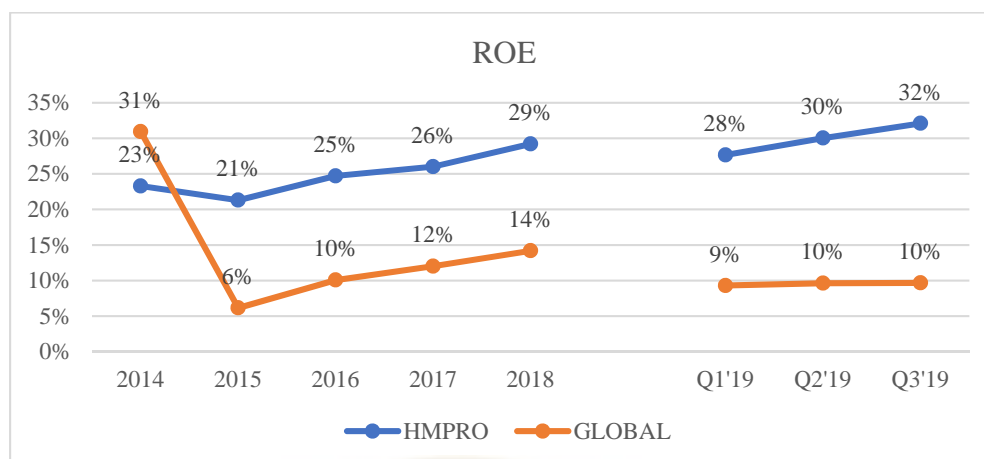


Figure 2.16 Return on Equity (ROE)

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

HMPRO's Return on Equity (ROE) has increased since 2015 because the company is able to generate a positive income to shareholder's equity. DuPont analysis is deposited into three parts; Profit Margin, Asset Turnover and Equity Multiplier.

Profit margin indicates the operating efficiency. Comparing with GLOBAL, HMPRO has relatively high profit margin since 2015. The growth of private brand product and the benefits from lower cost of warehousing helps to improve the profit margin of the HomePro. Moreover, HomePro expanded its first store in Malaysia in 2015 and added more 9 stores in Thailand in the same year. For Asset Turnover, indicates asset use efficiency, HomePro could maintain its assets utilization with high level of production and sales. HomePro was mainly financed by debt, so the equity multiplier is quite high, 2.8 times on average. However, the equity multiplier tends to decline because HomePro has repaid long-term loan from financial institution. Whereas, GLOBAL's equity multiplier tends to increase over time due to the store expansion in upcountry.

2.2 Forecasted Financial Statement Assumption

2.2.1 Pro Forma Income Statement

Table 2.10 Income Statement Q419F

(Unit: MillionBaht)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19F
Sales income	14,875	15,445	15,401	15,861	15,400	16,427	15,220	15,861
Rental and Service income	599	551	598	619	658	628	666	619
Other Income	426	469	495	711	495	511	489	711
Total revenues	15,900	16,465	16,494	17,191	16,553	17,565	16,375	17,191
Cost of Sales	(11,023)	(11,422)	(11,322)	(10,878)	(11,370)	(12,086)	(11,094)	(11,269)
Gross profit	4,877	5,043	5,172	6,313	5,183	5,480	5,281	5,922
SG&A	(3,245)	(3,327)	(3,372)	(4,095)	(3,324)	(3,487)	(3,347)	(3,458)
Operating Profit	1,632	1,716	1,800	2,218	1,860	1,993	1,934	2,464
Other Expenses	(0)	(1)	(16)	(26)	(2)	(8)	(4)	(5)
EBIT	1,632	1,715	1,783	2,192	1,858	1,985	1,930	2,459
Interest Expense	(98)	(98)	(95)	(108)	(108)	(108)	(100)	(85)
EBT	1,533	1,617	1,688	2,084	1,750	1,877	1,830	2,375
Income Tax	(285)	(304)	(322)	(398)	(330)	(350)	(348)	(475)
Net Income	1,248.47	1,312.56	1,365.82	1,685.77	1,419.84	1,526.63	1,482.25	1,899.70

Source: HomePro Financial Statement from Securities and Exchange Commission (Thailand)

For 4Q19, HMPRO's revenue is projected to grow 5% from 3Q19 due to high season of the retail stores and the third phase of the government's Chim Shop Chai campaign. In contrast, the fourth quarter revenue will grow flat from the same quarter last year because Thai government enforced the higher loan-to-value ratios on property since April 2018. A tighter mortgage regulation discouraged potential homebuyers. However, the expansion of private brand increased the profit margin of sales, and lower cost of inventory from merging warehouse between HomePro and MegaHome decreased the SG&A cost. Then, net income will increase in the last quarter of 2019.

Table 2.11 Pro Forma Income Statement 2019 – 2020

(Unit: MillionBaht)	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Sales income	62,907	65,109	67,387	69,746	72,187	74,714	77,328
Rental and Service income	2,571	2,661	2,754	2,850	2,950	3,053	3,160
Other Income	2,207	2,285	2,364	2,447	2,533	2,622	2,713
Total revenues	67,685	70,054	72,506	75,043	77,670	80,388	83,202
Cost of Sales	(45,818)	(47,142)	(48,502)	(49,899)	(51,335)	(52,971)	(54,658)
Gross profit	21,866	22,912	24,004	25,144	26,335	27,417	28,543
SG&A	(13,616)	(14,092)	(14,585)	(15,096)	(15,624)	(16,171)	(16,737)
Operating Profit	8,251	8,820	9,418	10,048	10,711	11,246	11,806
Other Expenses	(19)	(19)	(20)	(21)	(22)	(22)	(23)
EBIT	8,232	8,800	9,398	10,027	10,689	11,224	11,783
Interest Expense	(400)	(274)	(249)	(220)	(195)	(120)	(70)
EBT	7,832	8,526	9,150	9,808	10,495	11,104	11,714
Income Tax	(1,503)	(1,705)	(1,830)	(1,962)	(2,099)	(2,221)	(2,343)
Net Income	6,328	6,821	7,320	7,846	8,396	8,884	9,371

In the year 2020 to 2025, Hompro's revenue is projected to grow 3.5% based on expected Thai GDP real growth rate from IMF suggestion and gross profit margin is expected to increase 20-40 bps each year as HMPRO's strategy is to raise up its private brand from 20% to 25% in the future. According to Kumar and Steenkamp (2007), Private Label Strategy, the research suggested that if private label takes 20% product's mixed, the company gross profit margin would be 32.1% and if it increases to 25%, gross profit would increase to 34.7%. Assume the company private brand could generate 40% gross profit then we come up with 40 bps increase in year 2020 gross profit when private brand's mixed is expected to increase 100 bps. (Impact of increased on private brand = percentage increase on private brand multiply by private brand gross profit margin). So, in the year 2020, the company GP would be 32.7% and increases 40 bps accordingly). For SG&A it's expected to continue improvement from warehouse management. Thus, net income is projected to increase every year.

2.2.2 Pro Forma Balance Sheet

Table 2.12 Pro Forma Balance Sheet 2019-2020

Balance Sheet Statement							
(Unit: MillionBaht)	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Assets							
Current assets							
Cash and cash equivalents	3,627	2,604	3,296	3,950	4,914	4,013	4,237
Trade and other receivables	1,666	1,725	1,785	1,847	1,912	1,979	2,048
Inventories	10,047	10,337	10,635	10,941	11,256	11,615	11,985
Other current assets	1,665	1,709	1,792	1,955	2,154	2,433	2,587
Total current assets	17,004	16,374	17,508	18,694	20,236	20,041	20,857
Non-current assets							
Investment properties	2,453	2,453	2,453	2,453	2,453	2,453	2,453
Property, buildings and equipment	29,615	29,615	29,615	29,615	29,615	29,615	29,615
Other non-current assets	3,150	3,299	3,409	3,439	3,433	3,346	3,385
Total non-current assets	35,218	35,367	35,477	35,507	35,501	35,414	35,453
Total assets	52,223	51,741	52,985	54,201	55,737	55,455	56,311
Liabilities and shareholders' equity							
Current liabilities							
Short-term loans from financial institutions	283	283	283	283	283	283	283
Trade and other payables	13,929	14,332	14,745	15,170	15,607	16,104	16,617
Current portion of long-term loans	89	-	-	-	-	-	-
Current portion of debentures	6,000	4,000	3,170	3,500	3,000	2,000	2,500
Other current liabilities	2,018	2,018	2,018	2,018	2,018	2,018	2,018
Total current liabilities	22,320	20,633	20,216	20,971	20,908	20,405	21,418
Non-current liabilities							
Long-term loans - net of current portion	-	-	-	-	-	-	-
Debentures - net of current portion	7,170	6,670	6,500	5,000	4,500	2,500	-
Other non-current liabilities	1,358	1,358	1,358	1,358	1,358	1,358	1,358
Total non-current liabilities	8,528	8,028	7,858	6,358	5,858	3,858	1,358
Total liabilities	30,847	28,660	28,074	27,329	26,765	24,263	22,776
Shareholders' equity							
Issued and fully paid-up Capital (1 Baht per Share)	13,151.20	13,151.20	13,151.20	13,151.20	13,151.20	13,151.20	13,151.20
Premium on ordinary shares	646.32	646.32	646.32	646.32	646.32	646.32	646.32
Retained earnings	7,578.10	9,283.39	11,113.30	13,074.88	15,173.78	17,394.67	19,737.40
Total shareholders' equity	21,375.62	23,080.92	24,910.82	26,872.40	28,971.30	31,192.19	33,534.92
Total liabilities and shareholders' equity	52,222.80	51,741.37	52,984.72	54,201.12	55,736.53	55,454.77	56,310.55

The company current asset is projected based on the average current ratio in 2019 0.72x (Average 3quarter). Also based on historical information, HMPRO maintain cash average 5% of its total asset except in the year 2018, the company had issue bond debenture 6,000 MB for refinancing in 2018 and 2019. So HMPRO's cash is projected to be 5% of it total assets to maintain sufficient cash and avoid lack of liquidity. For Trade and receivable and inventories, they are calculated based on their turnover in 2019 (average of 3 quarter in 2019), Account Receivable turnover 40.62x and inventory turnover 4.56x. The company's Net Property, building and equipment each year are expected to be constant since HMPRO still has no long term plan for store expansion,

thus we assume the company will acquire more property, building and equipment at least equal to the company depreciation in each year.

According to the liability side, HMPRO is projected to have no long-term loan but there will be refinancing from bond debenture every year due to the company has relatively low financing cost on bond debenture, resulted from the company credit rating is promoted to AA-. For the company's trade payables, it is calculated based on its turnover 3.29x in 2019 (average of 3 quarter in 2019)

Regarding to the company Shareholder's equity, it is expected to increase 25% of its net income every year due from the company previously paid dividends around 77%-85% of its net income

2.2.3 Pro Forma Cash Flow

Table 2.13 Pro Forma Cash Flow 2019-2025

Cash Flow Statement	2019F	2020F	2021F	2022F	2023F	2024F	2025F
(Unit: MillionBaht)							
Net Income	6,328	6,821	7,320	7,846	8,396	8,884	9,371
Add Back Depreciation & Amortization	3,064	3,064	3,064	3,064	3,064	3,064	3,064
Minus increase (decrease) Change in NWC	90	54	55	56	57	72	74
Other Non cash adjustment	(133)	(133)	(133)	(133)	(133)	(133)	(133)
Net Cash Flow from Operating Activities	9,350	9,806	10,306	10,834	11,384	11,887	12,376
Acquisitions of property, plant and equipment	(3,064)	(3,064)	(3,064)	(3,064)	(3,064)	(3,064)	(3,064)
Others	(343)	(343)	(343)	(343)	(343)	(343)	(343)
Net cash flows used in investing activities	(3,407)	(3,407)	(3,407)	(3,407)	(3,407)	(3,407)	(3,407)
Proceeds from the issuance of debentures	3,170	3,500	3,000	2,000	2,500	-	-
Repayment of debentures	(6,700)	(6,000)	(4,000)	(3,170)	(3,500)	(3,000)	(2,000)
Others	(154)	194	283	283	283	283	283
Dividend paid	(4,861)	(5,116)	(5,490)	(5,885)	(6,297)	(6,663)	(7,028)
Net cash flows used in financing activities	(8,545)	(7,422)	(6,207)	(6,772)	(7,014)	(9,380)	(8,745)
Translation adjustments	(9)	-	-	-	-	-	-
Net increase (decrease) in cash and cash equiva	(2,611)	(1,023)	692	655	963	(900)	224
Cash and cash equivalents at beginning of year	6,238	3,627	2,604	3,296	3,950	4,914	4,013
Cash and cash equivalents at end of year	3,627	2,604	3,296	3,950	4,914	4,013	4,237

Table 2.14 Forecasted Key financial ratio 2019-2025

Key Financial Ratio	2019F	2020F	2021F	2022F	2023F	2024F	2025F
Gross Margin	34.76%	35.19%	35.62%	36.05%	36.48%	36.70%	36.91%
Operating Margin	13.12%	13.55%	13.98%	14.41%	14.84%	15.05%	15.27%
EBITDA Margin	17.96%	18.22%	18.49%	18.77%	19.05%	19.12%	19.20%
EBIT Margin	13.09%	13.52%	13.95%	14.38%	14.81%	15.02%	15.24%
Net Profi Margin	10.06%	10.48%	10.86%	11.25%	11.63%	11.89%	12.12%
ROE	30%	30%	29%	29%	29%	28%	28%
ROA	12%	13%	14%	14%	15%	16%	17%
Total Asset Turnover	1.20	1.26	1.27	1.29	1.30	1.35	1.37
Net D/E	1.44	1.24	1.13	1.02	0.92	0.78	0.68

2.3 Forecasted Funding methods 2019-2025

Table 2.15 Forecasted Funding methods 2019-2025

Financial Plan					
ThaiBMA Symbol	Issue date	Maturity	Size (MB)	Outstanding (MB)	Term
<u>HMPRO19OA</u>	14-Oct-16	14-Oct-19	3,000	3,000	3.00 Yrs
<u>HMPRO19DA</u>	26-Dec-14	26-Dec-19	1,000	1,000	5.00 Yrs
<u>HMPRO204A</u>	27-Apr-17	27-Apr-20	4,000	4,000	3.00 Yrs
<u>HMPRO212A</u>	16-Feb-18	16-Feb-21	2,000	2,000	3.00 Yrs
<u>HMPRO200A</u>	19-Oct-18	19-Oct-20	2,000	2,000	2.00 Yrs
<u>HMPRO210A</u>	22-Oct-18	22-Oct-21	2,000	2,000	3.00 Yrs
<u>HMPRO22NA</u>	14-Nov-19	14-Nov-22	3,170	3,170	3.00 Yrs
<u>HMPRO240A</u>	1-Oct-20	1-Oct-23	3,500	3500	3.00 Yrs
<u>HMPRO250A</u>	1-Oct-21	1-Oct-24	3,000	2500	3.00 Yrs
<u>HMPRO26NA</u>	1-Nov-22	1-Nov-25	2,000	1500	3.00 Yrs
<u>HMPRO27NA</u>	1-Nov-23	1-Nov-26	2,500	2000	3.00 Yrs

The company normally uses debt financing as a source of fund in order to repay loan principal and expand new branches.

Table 2.16 Forecasted Store Expansion 2019F-2020F

Year	2020F	2021F	2022F	2023F	2024F	2025F
No. of ending stores	118	122	126	130	134	138
HomePro	85	86	87	88	89	90
HomePro S	12	14	16	18	20	21
MegaHome	14	15	16	17	18	20
HomePro Malaysia	7	7	7	7	7	7
# of New store	5	4	4	4	4	4

The company has an intention to open more stores especially HomePro S said by the HMPRO's representatives on Opportunity Day on 11th November 2019. Based on previous store expansion and current economic situation, the HomePro will expand at least 4 stores per year in order to maintain its market share.

2.4 Valuation Calculation

Formula

- Free Cash Flow to Firm (FCF) = Net Operating After Tax + Depreciation Expense - Investment in Fixed Capital - Investment in Working Capital
- $WACC = (\text{cost of debt} * (1 - \text{tax}) * (\text{debt ratio})) + (\text{cost of equity}) * (1 - \text{debt ratio})$
- Terminal Value = $(FCFF(t+5) * (1 + \text{sustainable growth rate})) / (WACC - \text{sustainable growth rate})$

2.4.1 Target price at the end of 2019

Table 2.17 Target Price at the end of 2019 Calculation

Market Value Weight							
# of share outstanding (Million Sha	13,151	Risk free rate	1.71%				
Tax rate	20%	Company Beta	0.83				
Sustainable growth	3.00%	MRP	8.92%				
Debt ratio (Market value)	0.06	Cost of Equity	9.11%				
Cost of Debt	1.93%	WACC	8.7%				
Year	0	1	2	3	4	5	6
FCFF	6,495.40	6,963.37	7,402.77	7,862.25	8,342.65	8,705.95	9,096.84
		6,963.37	7,402.77	7,862.25	8,342.65	8,705.95	173,871.57
PV of Cash Flow	135,998					Terminal Value	164,775
Less debt	13,542						
Cash	3,627						
Equity value	126,083						
No. of share outstanding	13,151						
Intrinsic Value per share	THB9.59	--> Target Price 2019					

2.4.2 Target price at the end of 2020

Table 2.18 Target Price at the end of 2019 Calculation

Market Value Weight						
# of share outstanding (Million Shares)	13,151	Risk free rate	1.71%			
Tax rate	20%	Company Bet	0.83			
Sustainable growth	3.00%	MRP	8.92%			
Debt ratio (Market value)	0.08	Cost of Equity	9.11%			
Cost of Debt	1.52%	WACC	8.5%			

Year	0	1	2	3	4	5
FCFF	6,963.37	7,402.77	7,862.25	8,342.65	8,705.95	9,096.84
		7,402.77	7,862.25	8,342.65	8,705.95	180,028.52

PV of Cash Flow	146,155	Terminal Value	170,932
Less debt	13,542		
Cash	2,584		
Equity value	135,197		
No. of share outstanding	13,151		
Intrinsic Value per share	THB10.28	--> Target Price 2020	

2.5 SWOT Analysis and Five Force Analysis

2.5.1 SWOT Analysis

- Strengths

HMPRO has 113 branches with three different formats including HomePro, HomePro S and MegaHome. The company also offered a wide range of products and one-stop services including delivery, installation, and repair. Moreover, their stores provide both private and non-private brands from other suppliers with competitive price. With the benefit from Economies of Scale, HMPRO has the cost advantages in producing private brand with high profit margin. According to KGI research published on November 7, 2019, the ratio of private brand was 19.9% of sales revenue.

- Weakness

Most of the stores are located in greater Bangkok, and the stores in upcountry have relatively high price compared with the local retail stores. The company has a slow growth in store expansion because there are many branches in Thailand. In addition, domestic demand for residential estate had been declined due to a tighter mortgage

regulation, and foreign demand for Thai real estate \$also lessen because of global economic slowdown.

- Opportunities

Thai government has ongoing invest in rail infrastructure in order to solve the traffic congestion in Bangkok. There will be a great number of users coming within the service areas of rapid mass transit network. So, HMPRO has a potential growth from real estate contraction company and customers who live in condo or house near mass transit stations. HomePro S format has a potential to grow in greater Bangkok as well because this format will respond to the new lifestyle of urbanist such as Do-it-yourself and selected items with new trends. The store itself also located in prime area and can be expanded faster than HomePro because of sizing.

- Threats

According to Bank of Thailand, the household debt outstanding is relatively high compared with the GDP and have a tendency to increase further because of sluggish global economic growth. In addition, the unemployment rate increases as well since manufacture and service sector have a tendency to slow down due to prolonged export sector contraction and Baht appreciation. With these two factors, people will be more conscious about household spreading. The household consumption plays an important role to support the economy. Since the private consumption will grow at a slower rate, the HMPRO also have to be cautious with store expansion plan.

2.5.2 Five Force Analysis

- Actual Competition (rivalry among existing firm): Strong Force

HomePro is subject to the strong force of competitive rivalry. Even though the market share of HomePro was 9.2%, which is the highest shares among competitors, and they have the most retail branches in Thailand. there are many firms in the home improvement retail market such as Siam Global House, Boonthavon and DoHome. It is very easy for customers to move from HomePro to other stores because of low switching costs. Moreover, the competitors are likely to expand their market such as Index Living Mall and DoHome who recently offered Initial Public Offering (IPO) in Thailand and continue competing against HomePro.

- Potential of New Entrants (threat of new entrants/potential competitors):

Moderate Force

HomePro is subject to the Moderate force of potential competitors. The cost of managing and storing home improvement retail market is moderate since small firms can compete against HomePro. Nonetheless, the good brand image and reputation of HomePro weaken the effects of new entrants

- Substitute Products (threats of substitute product): Strong Force

Threats of substitute products are considered as a strong force because there are many substitutes to HomePro's home improvement retail goods and services such as home and office improvement section in Central shopping mall. Moreover, home improvement contractors are also threatening of substitute services because of their expertise. Then, the substitution is the most important factor affecting HomePro's sales revenue.

- Power of Customers (bargaining power of customers): Strong Force

HomePro is subject to high bargaining power of buyers. By cause of low switching costs and high availability of substitute products and services. However, there is a large population of customers from retails and wholesales form construction project.

- Power of Suppliers (bargaining power of suppliers): Weak Force

Bargaining power of HomePro's suppliers are relatively weak since there is a large group of suppliers that offers the same types of product line. Moreover, HomePro has own private brand products which create higher margin than suppliers' product.

2.6 Investment Risk and Downside Possibilities

2.6.1 Strategic Risk

Strategic Risk is related to the operational policies of a company, economy, investment, and competition. A slowdown in Thai economy together with the high level of household debt lower consumer confidence and purchasing power. So, the investment policy of store expansion was formed with caution otherwise, operations would miss the company's target. However, the company still has risk from the opening of new stores that could impact the overall performance of the company. Then, the company

focuses on Lean Management in order to minimize the overall cost and develop a marketing plan to attract customers.

The risk related to foreign investment in Malaysia was determined in many aspects such as the purchasing power of customers, lifestyles, transportation system and infrastructure (HomePro 2019). Due to economic circumstances and political situation in Malaysia in 2018, the company decided to enhance brand awareness and delay the store expansion plan in Malaysia.

There are many competitors in home products business which has accelerated its store expansion to meet with rapid growth of market demand (3Q'2019 HomePro opportunity day). The company mitigates this risk by offering product differentiation, one-stop services and omnichannel platform ensuring the satisfaction of customers.

2.6.2 Operational Risk

Operational Risk is related to operating system concerning the readiness of personnel and information system. The company faces the risk of performance loss due to the loss of skilled employees to the competitors or other related businesses (HomePro 2019). Concerning the personnel issue, the company offers good welfare and creates a good working atmosphere together as well as individual development plan in order to enhance the employees' readiness.

2.6.3 Financial Risk

Trade receivables from sales of projects and sales through credit card were mainly source of HomePro's account receivables (HomePro 2019). The major proportion of trade receivables came from retail customers. For sales of projection, the company would consider doing the business with good financial contractors in consideration of default risk.

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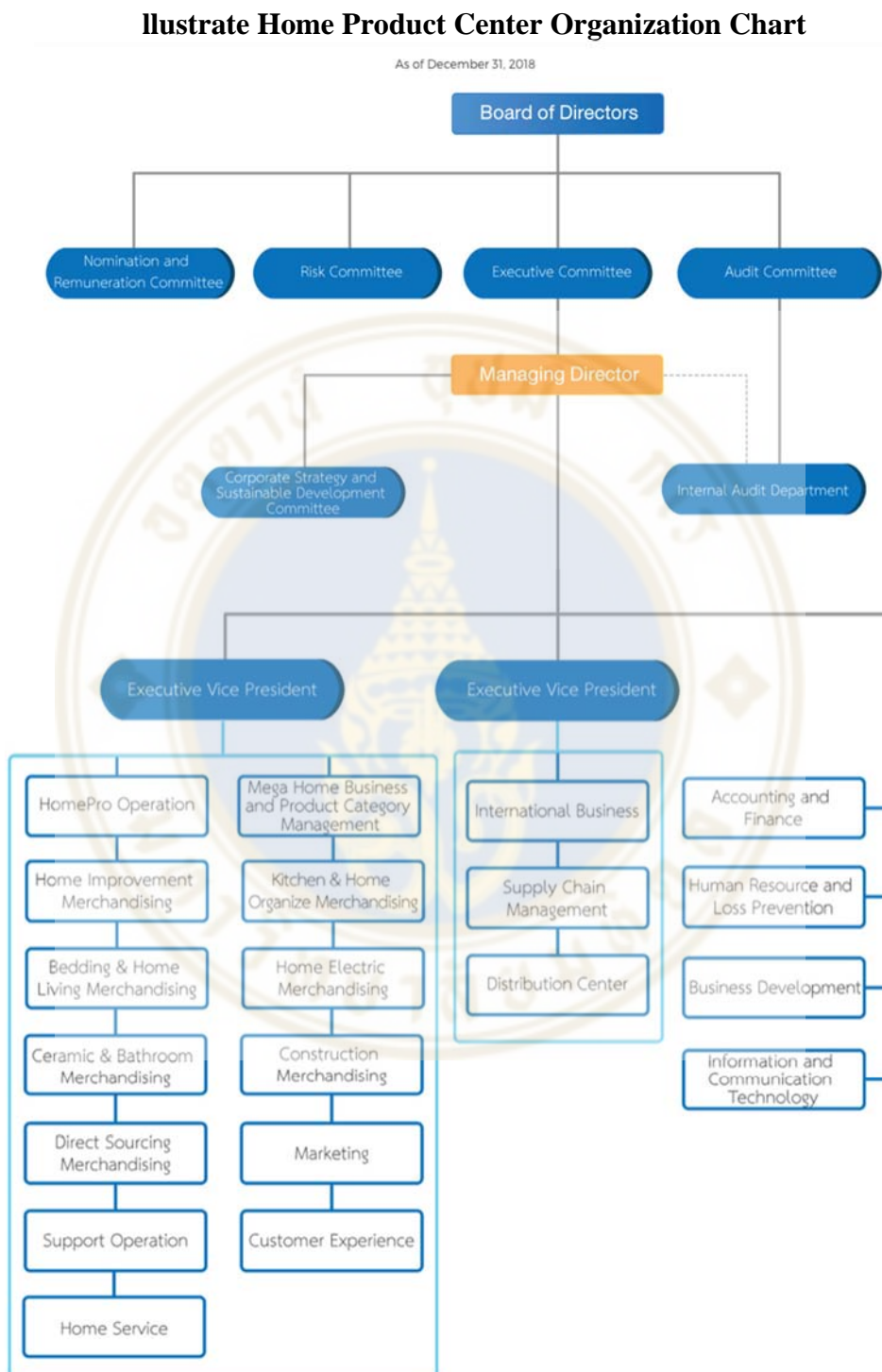
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Appendix A: Organization Chart (As of December 31, 2018)



Source: Home Product Center Public Limited Company Official Website

Appendix B: Board of Directors

Name and position of executive directors

Name	Position
Mr. Manit Udomkunatum	Chairman of Executive Committee and Director
Mr. Rutt Phanijphad	Director, Executive Director and Chairman of the Nomination and Remuneration Committee
Mr. Boonsom Lerdhirunwong	Independent Director and Chairman of the Audit Committee
Mr. Thaveerat Thatiyamaneekul	Independent Director and Audit Committee
Mr, Chanin Roonsamrarn	Independent Director, Audit Committee and Nomination and Remuneration Committee
Mr. Naporn Sunthornchitcharoen	Director, Executive Director and Nomination and Remuneration Committee
Mr. Khunawat Thumpomkul	Director, Executive Director and Managing Director
Mrs. Suwanna Buddhaprasart	Director
Mr. Pornwut Sarasin	Director
Mr. Archawin Asavabhakhin	Director
Mr. Weerapun Ungsumalee	Director

Source: Home Product Center Public Limited Company Official Website

Mr. Manit Udomkunatum has been appointed as Chairman of Executive Committee since May 2011, and he also owns 2.25% of direct shareholding.

Appendix C: Stock Information

Capital and Share detail

Capital Detail		
Common Stock		Preferred Stock
Authorized Capital:	13,151,198,025.00 Baht	Authorized Capital:
Paid-up Capital:	13,151,198,025.00 Baht	Paid-up Capital:
Shares Detail		
Common Stock		Preferred Stock
No. of Listed Share:	13,151,198,025 Shares	No. of Listed Share:
Paid-up Stock:	13,151,198,025 Shares	Paid-up Stock:
	Voting Right Ratio 1 : 1	Treasury stock:
Treasury stock:	-	Voting Stock minus
Voting Stock minus		Treasury Stock
Treasury Stock		As of 13/12/2019:
As of 13/12/2019:	13,151,198,025 Shares	As of 30/11/2019:
As of 30/11/2019:	13,151,198,025 Shares	

Free Float as of March 13, 2019)

Minor Shareholders (Free float):	24,605
Shares in Minor Shareholders (% of Free float)	45.44%

Source: Stock Exchange of Thailand official website

The shares distribution of minority shareholders (free float shares) is important for company's trading liquidity to facilitate the investors in trading securities with flexibilities and appropriate price.

Stock Quotes (December 2018 -December 2019)



Source: Home Product Center official website

Major Shareholders (as of September 11, 2019)

Major Shareholders

Major Shareholders	# Shares	Shares (%)
บริษัท แลนด์ แอนด์ เฮ้าส์ จำกัด (มหาชน)	3,975,878,432	30.23%
บริษัท QUALITY HOUSES PUBLIC COMPANY LIMITED	2,613,023,098	19.87%
บริษัท Thai NVDR Company Limited	961,111,925	7.31%
นาย นิติ โอสถาปนุเคราะห์	621,415,762	4.73%
สำนักงานประกันสังคม	368,310,112	2.80%
นาย มานิต อุดมคุณธรรม	269,989,197	2.05%
SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	258,035,994	1.96%
STATE STREET EUROPE LIMITED	241,374,375	1.84%
AIA COMPANY LIMITED-EQDI-D FUND 1	189,700,080	1.44%
บริษัท SARASIN COMPANY LIMITED	167,557,971	1.27%
นาย คุณวุฒิ ธรรมพรหมกุล	142,122,189	1.08%

Source: Stock Exchange of Thailand official website

Appendix D: Market share of construction material provider

Market share of construction material provider

Company	Sales Income	Market Share
Home Product Center	54,867,356,582	39.62%
Siam Global House	25,336,486,145	18.29%
CRC Thai Watsadu	23,773,818,160	17.17%
Dohome	18,445,362,074	13.32%
Mega Home Mart	7,167,022,416	5.17%
Boonthavorn Group	64,435,628	0.05%
Hardware house	3,602,414,989	2.60%
Home Hub	2,662,194,122	1.92%
Rojpaiboon	2,580,243,183	1.86%

Source: DBD Datawarehouse official website

Sales income were obtained from Department of Business Development Datawarehouse as of year-end 2019. Home Product Center is the biggest provider for construction material.