

**DISCOUNTED CASH FLOW VALUATION OF
SABINA PUBLIC COMPANY LIMITED**



REACHTHEANY VANG

**A THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF MANAGEMENT
COLLEGE OF MANAGEMENT
MAHIDOL UNIVERSITY
2023**

COPYRIGHT OF MAHIDOL UNIVERSITY

Thematic paper
entitled
**DISCOUNTED CASH FLOW VALUATION OF
SABINA PUBLIC COMPANY LIMITED**

was submitted to the College of Management, Mahidol University
for the degree of Master of Management
on
December 23, 2023



VWS.

.....
Ms. Reachtheany Vang
Candidate

Sy
.....
Asst. Prof. Simon Zaby,
Ph.D.
Advisor

RK
.....
Prof. Roy Kouwenberg,,
Ph.D., CFA
Chairperson

Vichita Ractham
.....
Assoc. Prof. Vichita Ractham,
Ph.D.
Dean
College of Management
Mahidol University

Eakapat Manitkajornkit
.....
Eakapat Manitkajornkit,
Ph.D.
Committee member

ACKNOWLEDGEMENTS

I want to express my deepest gratitude to Dr. Simon Zaby, my advisor, for his unwavering support during the process of this thematic paper. The shared experiences, understanding, and support have made this journey more meaningful. This work would not have been possible without Dr. Simon Zaby's continuous support, valuable feedback, and great wealth of knowledge throughout the process. I am sincerely thankful for his practical advice and stimulating discussions, which have significantly contributed to the success of our thematic paper.

Besides my advisor, I would also like to thank my wonderful partner, Tanchanok Tuangvilai, for her invaluable help and brilliant ideas throughout this journey. I also acknowledge the constant support of my teammate and without her assistance, the successful completion of the paper would not have been possible. My deep appreciation goes to committee members, professors for crucial academic knowledge and analytic skills, as well as classmates and friends for their supports and encouragement throughout the process.

Finally, I express my gratitude to my family for their love and care, which has been a source of constant support throughout my academic journey. Their boundless encouragement has served as a driving force, consistently motivating me to successfully complete this thematic paper and attain my master's degree.

Reachtheany Vang

DISCOUNTED CASH FLOW VALUATION OF SABINA PUBLIC COMPANY LIMITED

REACHTHEANY VANG 6549066

M.M. (CORPORATE FINANCE)

THEMATIC PAPER ADVISORY COMMITTEE: ASST. PROF. SIMON ZABY, Ph.D., PROF. ROY KOUWENBERG, Ph.D., EAKAPAT MANITKAJORNKIT, Ph.D.

ABSTRACT

This report seeks to establish the target share price of Sabina Public Company Limited (SABINA) utilizing the discounted cash flow (DCF) valuation approach. SABINA holds a distinguished position as one of Thailand's premier lingerie product companies. The evaluation, carried out on November 27, 2023, aims to ascertain SABINA's target price by employing the DCF methodology for the prospective years from 2022 to 2027, encompassing the present value of the terminal value at the close of 2027. The examination of SABINA's cash flows incorporates projections of Total Revenue, Cost and Expenses, and other pertinent factors. With a cost of capital at 7.7% and a terminal growth rate of 2.09%, the envisioned target price for SABINA by the close of 2023 stands at 38.07 baht, signifying a 42% upside from the prevailing price of 26.75 baht. Considering this valuation, taking into account SABINA's commendable historical performance, the investment advice is a "Buy." However, it's essential to acknowledge inherent limitations and triggers. Investors are urged to meticulously assess their alternatives, factoring in market dynamics, before arriving at any decisions.

KEY WORDS: SABINA/ VALUATION/ DISCOUNTED CASH FLOW/ THAILAND/ LINGERIE PRODUCT

47 pages

CONTENTS

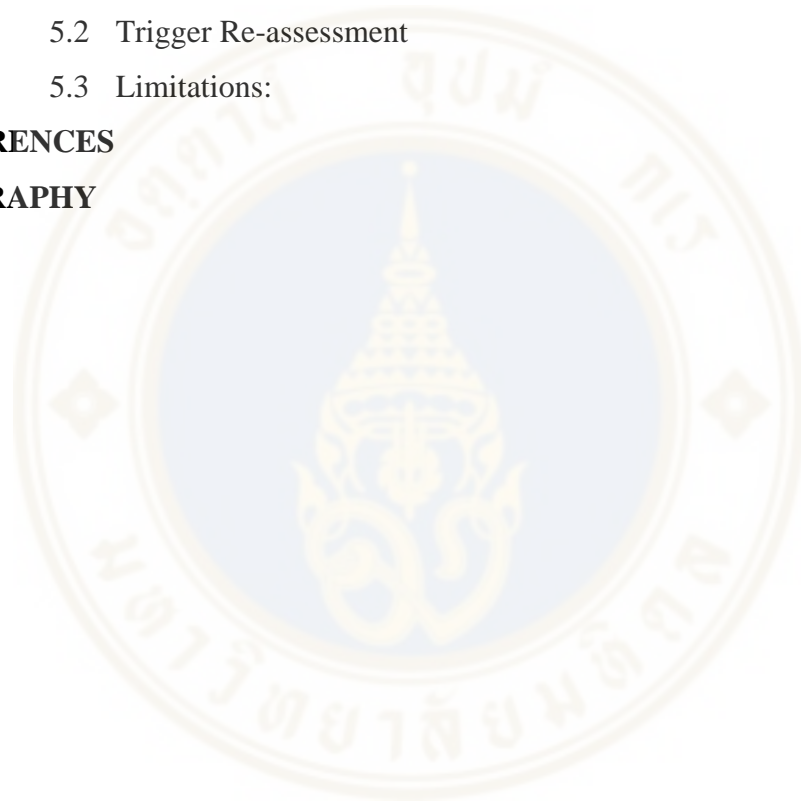
	Page
ACKNOWLEDGEMENTS	ii
ABSTRACT	iii
LIST OF TABLES	vi
LIST OF FIGURES	vii
LIST OF ABBREVIATIONS	ix
CHAPTER I INTRODUCTION	1
1.1 Overview	1
1.1.1 Sabina Timeline	2
1.1.2 The Subsidiary	2
1.1.3 Indirect Subsidiaries	3
1.1.4 Sources of Revenues	3
1.1.5 Revenue and growth	4
1.1.6 Products and Brands	4
1.2 Vision, Mission, and Goals	5
1.2.1 Vision	5
1.2.2 Mission	6
1.2.3 Goals	6
1.3 Management and Governance	8
1.3.1 Board of Directors	8
1.3.2 Major Shareholder	9
1.3.3 Governance	10
1.4 Dividend Policy and Payment	10
CHAPTER II EXTERNAL FACTORS ON SABINA'S BUSINESS	12
2.1 Macro-Economic Analysis	12
2.1.1 GDP of World and Country	12
2.1.2 Economic Glance and Outlook	13

CONTENTS (cont.)

	Page
2.1.3 Population Trend and Consumer Expenditure of Thailand	13
2.2 Inner Wear Industry Analysis	15
2.2.1 Industry Pattern	15
2.2.2 Role of Advertising and Distribution	16
2.2.3 Covid-19 Changing Consumer Behavior	17
2.2.4 Create Value with Innovation	19
2.3 Competitors of Sabina	20
CHAPTER III DISCOUNTED CASH FLOW VALUATION	22
3.1 Pro Forma Income Statement	22
3.1.1 Revenue Forecast	22
3.1.2 Cost and Expense Forecast	24
3.2 Terminal Growth Rate	26
3.3 Cost of Capital	28
3.3.1 Cost of Equity	28
3.3.2 Cost of Debt	29
3.4 Free Cash Flow Projection	30
3.5 Sensitivity Analysis	33
CHAPTER IV INVESTMENT RISKS AND DOWNSIDE POSSIBILITIES	35
4.1 Operational Risk	35
4.1.1 Inventory Risk	35
4.1.2 Shortage of Craftsmanship	36
4.1.3 Dependence on Few Major Raw Material Suppliers	36
4.2 Sustainability risk	37
4.2.1 Climate Change Action	37
4.2.2 Climate Change-related Regulatory Risks	38
4.2.3 Employee and Customer Personal Data Protection (PDPA)	38

CONTENTS (cont.)

	Page
4.2.4 Human rights	39
4.3 Global economic downturn	39
CHAPTER V CONCLUSION	41
5.1 Investment Summary	41
5.2 Trigger Re-assessment	42
5.3 Limitations:	43
REFERENCES	44
BIOGRAPHY	47



LIST OF TABLES

Table	Page
3.1 Own calculation from Bloomberg (2023)	22
3.2 Own calculation (2023)	23
3.3 Own calculation	25
3.4 Own Calculation	27
3.5 Own Calculation	29
3.6 PV of Free Cash Flow and Terminal Value	32
3.7 Own Calculation	33
3.8 Sensitivity Analysis of Terminal Growth and WACC	33
5.1 Recommendation Criteria	42

LIST OF FIGURES

Figure	Page
1.1 Sabina Timeline	2
1.2 Source of revenue	3
1.3 Revenue and % YoY Growth	4
1.4 Products and brands	5
1.5 Board of Directors	8
1.6 Major Shareholder of Sabina	9
1.7 Dividend Payment	10
2.1 Consumption Expenditure at Current Market Prices by Type of Expenditure Year 2020	14
2.2 Women Expenditure on Innerwear and Related Products	16
2.3 Digital, Internet and Social Media Users	17
2.4 Economic Growth in Thailand	17
2.5 Penetration of Leading Social Media Platforms in Thailand	18
3.1 Own Calculation	30
5.1 Target Price Comparison	42

LIST OF ABBREVIATIONS

CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
DCF	Discounted Cashflow
EBIT	Earnings Before Interest And Tax
ESG	Environmental, Social, and Governance
GDP	Gross Domestic Product
GHG	Greenhouse Gas
OEM	Original Equipment Manufacturer
OKR	Overarching Organizational Key Results
PDPA	Customer Personal Data Protection
SET	The Stock Exchange of Thailand
SG&A	Selling, General and Administration
WACC	Weighted Average Cost of Capital

CHAPTER I

INTRODUCTION

This chapter will provide a comprehensive overview of the target valuation company, focusing on its core business portfolio and past financial performance. The company's vision, mission, and goals will then be examined to gain insights into its future business strategy. A detailed summary of its revenue sources and growth patterns, extracted from its annual report, will be presented to facilitate a thorough understanding of its business model. An analysis of the company's ownership structure, including information on major shareholders, will be a crucial element in gaining meaningful insights into its management and governance. Lastly, we will delve into the company's recent decision on dividends to elucidate the current shifts in its stock price within the market

1.1 Overview

Sabina Public Company Limited is a manufacturer and distributor of bras catering to women of all ages, offering a diverse range of products including brands for children, teenagers, adults, and functional bras, as well as Shape Wear and swimsuits. The company targets different consumer segments by offering products at various price points. Lower-priced items are distributed through modern trade channels like BigC and Tesco Lotus, mid-priced products are available nationwide, and the higher-end Madmoiselle, Maggiemae, and Cris's Collection brands are exclusively distributed in big cities and the Bangkok area. In this chapter, we will explain about what Sabina do and how they instruct the company, including their vision, mission, and goal.

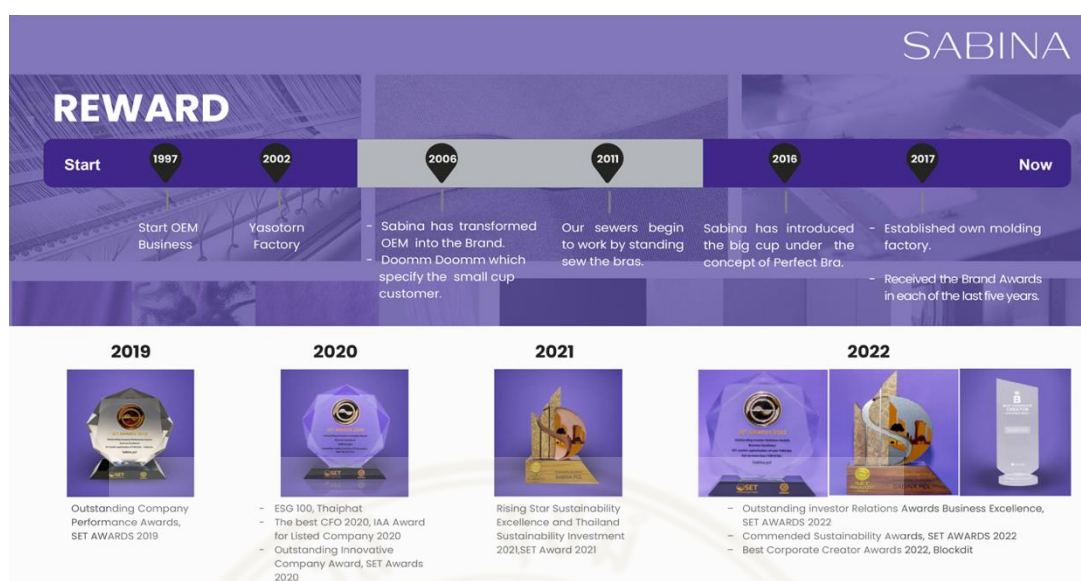


Figure 1.1 Sabina Timeline

Source: Sabina (2023)

1.1.1 Sabina Timeline

The company was established on August 17, 1995, and was formerly known as J&D Apparel Company Limited. The business as a whole manufactures and distributes undergarments for subsidiaries and consumers who are foreign lingerie suppliers. The company started as an OEM, or original equipment manufacturer, manufacturing and distributing its OEM products to subsidiaries. As the brand is well-recognized among customers abroad, they received orders from a variety of customers overseas. In the meantime, with the acquisition of a substantial reputation and acknowledgment, the firm transitioned into a wholesaler operating under the "Sabina" (Sabina Far East Company Limited) brand in 1997. This strategic shift enabled them to directly distribute their goods to consumers, bypassing intermediaries as before (Sabina, 2023).

1.1.2 The Subsidiary

The company engages in the design, manufacturing, and distribution of women's underwear under the brand name "Sabina." Additionally, they offer production services for customers who would like to use their own brand or engage in OEM arrangements. Furthermore, the company serves as a distributor of women's underwear under the "Sabina" brand to department stores, shopping centers, and modern trade fairs,

both domestically and internationally. The incorporation of sales using novel distribution channels, such as television shopping, websites, the company's application, and other online platforms.

1.1.3 Indirect Subsidiaries

Invests in other companies both domestically and abroad.

1.1.4 Sources of Revenues

Currently, the primary source of revenue for the company is derived from the sales of items bearing the brand of its subsidiary. In 2021, the revenue from non-OEM items constituted 87.84% of the total revenue, while in 2022, it stood for 88.35% of the total revenue. On the other hand, the revenue generated from OEM products represented 10.53% and 10.78% of the total revenue in 2021 and 2022, respectively.

Product Lines	Operated by	Share-holding ratio %	2022		2021		2020	
			Value	%	Value	%	Value	%
Sale of subsidiary's brandname products	Sabina Fareast Co., Ltd.	99.90%	2,814.73	88.35	2,332.78	87.84	2,628.67	90.22
Sale of OEM products	Sabina Plc.	-	343.33	10.78	279.77	10.53	233.54	8.01
Incomes from provision of service and other sources ^{1, 2}	Sabina Plc.	-	27.66	0.87	43.12	1.63	51.62	1.77
Total			3,185.72	100.00	2,655.67	100.00	2,913.83	100.00

Note: 1. Our sources of incomes are garment production and product sewing services.

2. Other sources of incomes are interest earning, duty refund, profit from the exchange rates, and rent out real estate.

Figure 1.2 Source of revenue

Source: Sabina (2023)

1.1.5 Revenue and growth

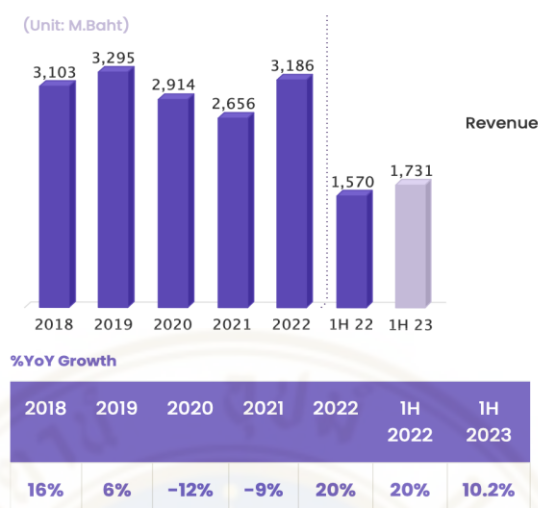


Figure 1.3 Revenue and %YoY Growth

In 2022, Sabina Public Company Limited was able to maintain its operating standards in accordance with expectations through strong collaboration both inside and outside the organization. The overall revenue in 2022 climbed by 19.96%, or 530.05 million baht, compared to 2021, with a total revenue of 3,185.72 million baht. The net profit earned in 2022 was the greatest ever attained, reaching 13.10%, or a net profit of 417.22 million baht. This achievement is the company's greatest recorded profit, which bodes well for its anticipated strong expansion in the next year.

1.1.6 Products and Brands

Sabina has an extensive range of products for different target groups. The price lists can be found from lowest to highest; the products with the most competitive prices are sold through current trade channels like BigC and Tesco Lotus. Doomm Series, Wireless Bras, and Modern V are some examples of products that fall into the intermediate price range that can be found nationwide; these items cost between 700 and 800 Baht. The high-end items sold under the brand names Madmoiselle, Maggiemae, and Cris's Collection, all of which have prices that are more than one thousand Thai Baht, are exclusively distributed in the main towns and Bangkok city.



Figure 1.4 Products and brands

Sabina began gaining a solid reputation among customers in other countries and started selling Original Equipment Manufacturer (OEM) products directly to those consumers. This was done in direct competition with other businesses in the industry. As a result, most of the revenue comes from the production of lingerie for distributors based in other countries. However, since 2008, when the business implemented modifications aimed at minimizing the amount of OEM production and distribution, the company has experienced a considerable rise in the percentage of its revenue from manufacturing and distributing products sold under the "Sabina" brand. These modifications were undertaken in order to reduce the amount of OEM manufacturing and distribution that was being done. The manufacture of products sold under the brand name "SABINA" and their subsequent distribution to the company's subsidiaries are currently the business's key income sources.

1.2 Vision, Mission, and Goals

1.2.1 Vision

Sabina has declared its vision as “We determine to create product value with modern innovation to strengthen consumer confidence for better daily life. We also place importance on business operations with growth and sustainable profitability (Sabina, 2023).” To achieve its vision, the company adopted its mission using the operational framework for each mission defined by the organization, drawing on its overall purpose and vision. The establishment of short-term goals, with a time frame typically spanning from one to five years, serves as a means to support efficient and

transparent operations aligned with the business purpose. Along with that, the subordinate goals for each department are decided upon by working together using tools that were made to set goals and track results. This makes it easy to evaluate the results and put them into action. For the overarching organizational Key Results (OKR) to achieve success, it is essential that the OKR of each particular department or division within the company align with one another.

1.2.2 Mission

The company's mission framework is intricately tied to its overarching mission and vision. Clear operational strategies are built on short-term goals that last between one and five years. Each section uses tools for setting goals and objective key results to make evaluation and implementation go smoothly. Crucially, every sector's Objectives and Key Results (OKR) harmonize to fortify the organization's overarching success. According to Sabina's 2023 report, the mission of SABINA is identified as SABINA Promise, focusing on customer satisfaction which is their ultimate goal, follows by DATA-Driven Organization where SABINA operates with Data-Driven innovation and implemented on data utilization for their decision making. Sustainable is another mission of SABINA, which focus on sustainable profitability while Lean Enterprise is the fourth mission that aim to eliminate wastes occurring at every step of SABINA's supply chain process. Finally, SABINA mission also include ESG that focusing on sustainable business operation which considering environmental, social and corporate governance aspects.

1.2.3 Goals

Strategy and Long-Term Goals until 2027

Following the COVID-19 crisis of throughout 2020–2022, the company aims to attain restoration of sales to pre-pandemic levels by the year 2022 as part of its long-term target through 2027. The subsequent value will serve as the uppermost objective until 2027. The company has explicit growth targets that are in accordance with its overarching vision and purpose.

Sabina, a dynamic player in the industry, sets its sights on transforming into the foremost premium brand in Thailand, making significant strides toward regional

recognition, all while maintaining an unwavering commitment to achieving the highest levels of customer satisfaction. At the heart of this vision is a strategic focus on brand elevation and customer contentment.

To position itself as a leader in the industry, Sabina recognizes the imperative role of modern technological advances in product manufacturing. Embracing high-tech tools and data-driven methodologies, the organization is dedicated to effective task management, enabling meticulous planning, and facilitating swift adaptability to the evolving landscape.

Integral to Sabina's overarching strategy is the optimization of operational processes, designed not only to streamline efficiency but also to ensure long-term financial viability. With a keen eye on decreasing inefficiencies across all operational facets, the primary objectives include prioritizing cost reduction, minimizing errors, shortening task durations, enhancing overall productivity, and addressing customer needs with precision.

Recent accolades from the Stock Exchange of Thailand underscore Sabina's commitment to sustainable business operations. The Commended Sustainable Award 2022 and the Outstanding Sustainability Prototype Organization Award for Thai Stock Market Support for Persons with Disabilities in 2022 showcase the company's dedication to environmental, social, and corporate governance principles.

In essence, Sabina's ethos revolves around the holistic integration of sustainable business practices. The dedication to business innovation, which seeks to gain a competitive edge while prioritizing the welfare of all stakeholders—employees, communities, and society at large—is an example of this strategy. Sabina's journey unfolds as a testament to its vision, not merely as a brand but as a conscientious entity pioneering excellence and sustainability in the ever-evolving business landscape.

1.3 Management and Governance

1.3.1 Board of Directors

Name	Company's Committee	Audit Committee	Executive Committee	The nomination and remuneration Committee	Risk Management Committee
1. Mr. Viroj Thanalongkorn	Chairman	-	-	-	-
2. Mr. Bunchai Punturaumporn*	Committee	-	Chairman	Committee	-
3. Ms. Duangdao Mahanavanont*	Chief Executive Officer	-	Committee	-	Committee
4. Mrs. Suchanya Thanalongkorn	Committee	-	-	-	-
5. Mr. Somkid Padungkiattisak *	Committee	-	Committee	-	Committee
6. Ms. Vachirawan Yamsri	Committee	-	Committee	-	Committee
7. Ms. Pitcha Thanalongkorn	Committee	-	Committee	-	-
7. Ms. Raweewan Peyayopanakul	Independent Director	Chairman	-	Committee	-
8. Mr. Somchai Vanavit	Independent Director	Committee	-	Chairman	-
9. Mr. Yuthana Adipath	Independent Director	Committee	-	Committee	-
10. Mr. ChakkritUttayopas	Independent Director	-	-	-	Chairman
11. Ms. Pensri Suteerasan	Independent Director	Committee	-	-	-

* Also has a position as a director of a subsidiary and Indirect Subsidiary.

Remark Information of the directors about education, training history from the Thai Institute of Directors Association (IOD) and key experiences related to the business of the Company can be seen in Attachment 1.

Figure 1.5 Board of Directors

The composition of the Board of Directors comprises a total of 11 individuals, consisting of 6 female and 6 male non-executive directors, along with 7 non-executive directors, out of whom 5 are independent directors. Among the independent directors, there are 2 female directors, while the remaining 4 hold executive positions.

List of Board of Directors:

1. Mr. Viroj Thanalongkor
2. Mr. Bunchai Punturaumporn
3. Ms. Duangdao Mahanavanont
4. Mrs. Suchanya Thanalongkom
5. Mr. Somkid Padungkiattisak
6. Ms. Vachirawan Yamsri
7. Ms. Pitcha Thanalongkom
8. Ms. Raweewan Peyayopanakul
9. Mr. Somchai Vanavit

10. Mr. Yuthana Adipath
11. Mr. Chakkrit Uttayopas
12. Ms. Pensri Suleerasan

The governing body has decided on the makeup of the Board of Directors, which will include people with a variety of qualifications. These qualifications encompass a combination of knowledge, skills, and experience that are deemed valuable for the company. Moreover, the directors are expected to execute their responsibilities effectively while adhering to accepted moral and ethical standards that inspire trust and confidence. The organization maintains a well-defined division of tasks and obligations to ensure the effective functioning of the Board of Directors.

The Board of Directors is elected through a shareholders' meeting and serves a specific term in accordance with the company's Articles of Association. At each annual general meeting, directors with the longest tenures are required to retire. Following the expiration of their term, these directors may be eligible for re-election. There is an absence of directors who concurrently hold directorship positions in more than five businesses listed on the stock exchange.

1.3.2 Major Shareholder

First 10 major shareholders of Sabina PLC. as on the latest book closing date, 25 August 2022

Shareholders		
	Number of Shares	Percentage (%)
1. Mr.Viroj Thanalongkorn	161,157,000	46.38
2. Thai NVDR Company Limited	11,250,075	3.24
3. Mr.Atchada Thanalongkorn	10,501,000	3.02
4. Ms.Pitcha Thanalongkorn	10,504,000	3.02
5. Bualuang Long Term Equity Fund	9,997,900	2.88
6. Bualuang Factor 4 Long-Term Equity Dividend Fund	7,937,900	2.28
7. Mr.Chaiyakorn Siriratatsadon	5,483,900	1.58
8. Thai Life Insurance Public Company Limited.	4,492,200	1.29
9. Mr.Vich Maka-apitruk	4,000,000	1.15
10. Krungsri Thai All Stars Dividend LTF (KFLTFSTARD)	3,445,100	0.99

Figure 1.6 Major Shareholder of Sabina

1.3.3 Governance

The Stock Exchange of Thailand (SET) guidelines serve as a reminder to the Board of Directors at our company of the critical importance of strong corporate governance. This acknowledgement serves as a cornerstone for our commitment to advancing the company's trajectory, ensuring organizational stability, and instilling confidence among our valued shareholders, investors, and stakeholders. Central to this commitment is the unwavering dedication to fostering long-term value creation.

The Board has developed a robust corporate governance policy, focusing on transparency, ethical conduct, and responsible business practices. Key principles include clearly defining roles and responsibilities, prioritizing transparent and accurate business operations, fostering a balanced power dynamic, emphasizing customer satisfaction and product excellence, investing in employee development, ensuring equality in shareholder rights, and upholding responsibility towards shareholders, stakeholders, society, and the environment. The policy underscores the company's commitment to ethical governance, effective oversight, and holistic corporate responsibility.

1.4 Dividend Policy and Payment

Dividend Payment Data

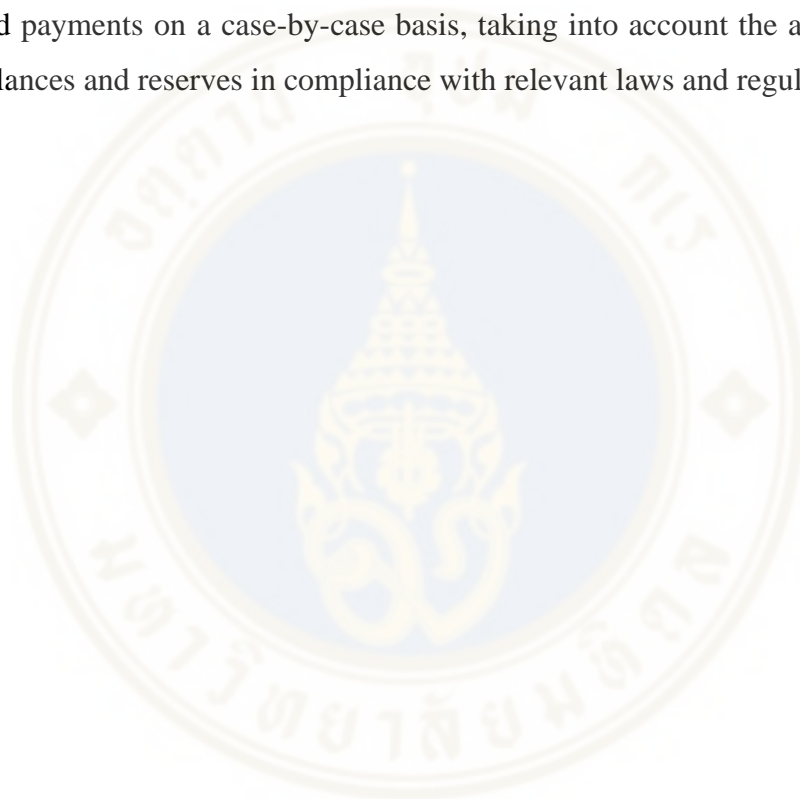
Sabina Co.Ltd.	2022*	2021	2020
Dividend per share (Baht)	1.20	0.85	0.80
Dividend remuneration rate (%) (Overall financial statement)	99.95	100.40	100.43
Dividend remuneration rate (%) (Specific financial statement)	98.48	99.42	87.48

Remark * 2022 dividend payment - the Board of Directors' meeting passed a resolution to pay interim dividends at the rate of 0.61 baht per share, and on February 20, 2023, the Board of Directors passed a resolution to pay dividends from the retained earnings at the rate of 0.59 baht per share, including dividend payment for the year 2022 equal to 1.20 per share Baht, which will be further proposed to the Annual General Meeting of Shareholders for the year 2023.

Figure 1.7 Dividend Payment

According to relevant laws and regulations, the company abides by a dividend payment policy that guarantees a minimum payout ratio of 40% of the net profit after tax and reserve deduction. However, the disbursement of dividends will be contingent upon factors such as the investment strategy, financial requirements, and suitability in subsequent periods.

When evaluating dividend payments, the Board of Directors of subsidiaries will assess the cash flow balance in relation to the investment budget of such subsidiaries. The Board of Directors of the subsidiaries shall assess the possibility of dividend payments on a case-by-case basis, taking into account the adequacy of cash flow balances and reserves in compliance with relevant laws and regulations.



CHAPTER II

EXTERNAL FACTORS ON SABINA'S BUSINESS

The analysis of macro-economic of World and Thailand will be discussed in this chapter regarding the GDP growth, economic outlook and consumer expenditure. Then following by the analysis of innerwear industry in which SABINA operates is characterized as an oligopoly market, dominated by a small number of major players with significant market influence and the situation of SABINA during the pandemic as well as the competitors of the company.

2.1 Macro-Economic Analysis

2.1.1 GDP of World and Country

Based on the data of The Office of the National Economic and Social Development Council, Thailand's GDP is predicted to increase by 2.5 to 3.0 percent in 2023, according to the Thai government. Continued increase in both private and public investment, as well as favorable development in private consumption and the tourist industry, are major factors. Consumption and spending are expected to rise by 5.0 percent and 1.6 percent, respectively. The current account is expected to record a surplus of 1.2 percent of GDP, with headline inflation ranging from 1.7 to 2.2 percent.

According to (The Conference Board, 2023), real GDP growth is expected to remain unchanged from 3.3 percent in 2022 to 2.9 percent in 2023. We anticipate a further slowing to 2.5 percent in 2024. High inflation and continuous monetary policy tightening continue to restrain economic growth. We foresee slightly weaker economic growth in the near future. In 2024, growing Asian economies are predicted to expand the quickest, while Europe and the United States are expected to develop the slowest.

Semi-durable expenditure climbed by 0.7 percent, slowing from 1.3 percent in the previous quarter, in line with decreased growth in clothes and footwear spending.

Increased consumer confidence was also related with higher consumption growth, as assessed by the Consumer Confidence Index, which grew to 50.3 from 46.9 in the previous quarter, the highest level in 14 quarters. (NESDC, 2023).

2.1.2 Economic Glance and Outlook

According to Bank of Thailand, 2023, Thailand is known as the second-largest economy in South-East Asia, follows by Indonesia (BOT, 2023). In 2011, The country was identified as having an upper-middle income economy, and the World Bank acknowledged it as one of the region's social and economic success stories. The Thai economy was still rebounding in August 2023, mainly due to tourist spending. Following a period of rapid expansion, domestic demand, particularly private consumption and investment, has slowed slightly. While government expenditures grew as a result of higher current expenditures, industrial output remained constant. Regarding the economic stability, inflation increased due to energy inflation following a spike in domestic benzene prices (BOT, 2023).

2.1.3 Population Trend and Consumer Expenditure of Thailand

Thailand has a population of more than 70 million people, with women constituting 51.4% based on Data Reported, 2022. According to World Bank 2021, GDP per capita PPP was up to USD 18,855 in 2021. In comparison to other parts of Thailand, the average pay in Bangkok is high. Based on Statistics Office, 2021, Nonthaburi had the highest average monthly household income in Thailand in 2021, at 41,129.42 Thai baht, whereas the entire nation average was at 27,352 Thai baht (Statistics Office, 2021).

Despite holding majority of higher education degrees in Thailand, women have a greater presence within informal sector and earn lower wages. According to (UN Women, 2020), the gap of gender wage increased significantly from 2.5% in 2015 to 10.94% in 2020. The core selling points in Thailand includes price, quality as well as service accessibility. Even though prices may be lower, people does not usually switch brands and are likely to pay more for their preferred brands (USDA, 2021). In Southeast Asia, Thai customers known for the most devoted and brand conscious. In addition to higher purchasing power than the neighbor countries, they have higher debt levels.

Additionally, unlike in other Southeast Asian nations, people here often indulge and buy on impulse rather than save money (USDA, 2021).

Despite the effectiveness of advertising, word-of-mouth recommendations have a significant impact on a brand's reputation, which can ultimately increase sales. Customers also demand excellent customer service and after-sales care, which are both taken into consideration when determining whether to make a purchase (USDA, 2021).

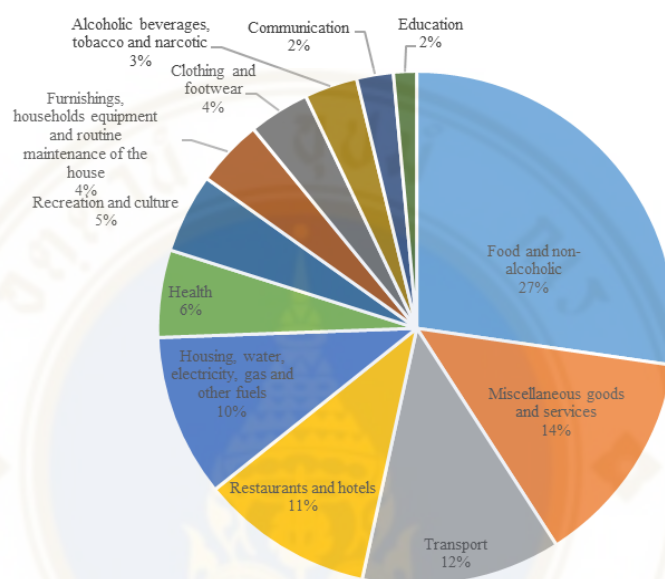


Figure 2.1 Consumption Expenditure at Current Market Prices by Type of Expenditure Year 2020

Source: Office of the National Economic and Social Development Council, Office of the Prime Minister

As indicated by Figure 2.1, study on household consumption spending in Thailand in 2020, Thai consumers have a tendency to spend excessively and make impulse purchases. They spend a large portion of their income on transportation, miscellaneous goods and services, and non-alcoholic beverages, which together account for 27%, 14%, and 12% of all purchases, respectively.

According to National Income of Thailand, 2021, Clothing and footwear decreased by 9.1%, compared to a drop of 18.8% in 2020. The main factor was a decrease in expenses on clothing and footwear, which dropped by 8.7%, and 12.4%, compared to 19.0%, and 17.1% decline in 2020, respectively. Private consumption expenditure classified by

Non-durable goods, which Sabina included, grew by 2.1%, continually rising from a 1.7% growth in 2020.

2.2 Inner Wear Industry Analysis

2.2.1 Industry Pattern

The lingerie industry in which SABINA operates is characterized as an oligopoly market, dominated by a small number of major players with significant market influence. These key companies compete intensely for market share and innovation. The global innerwear market was valued at approximately USD 96.1 billion in 2021 (Grand View Research, 2021).

In Thailand, the innerwear market is highly competitive, featuring both domestic and international brands striving to capture consumer attention. Thai consumers have diverse needs and preferences, and the industry caters to these by offering a wide range of products (HKTDC Research, 2021). To succeed in the competitive Thai market, the company must aim to address these unique demands by providing diverse, high-quality, and sustainable innerwear solutions, including delicate lace to practical everyday essentials, to meet the diverse preferences of Thai customers. This approach allows Thai customers to embrace comfortable, stylish, and culturally appropriate underwear for a confident and comfortable day.

In the past year, women in Thailand spent 25,069 million baht on lingerie, which accounted for 25.53% of the total clothing expenditure (Sabina, 2023). This marked a consistent increase in spending over the last two years, following a significant contraction in 2020 due to the impact of the COVID-19 pandemic. However, the current figures still fall short of the 2019 level when the market was valued at 27,283 million baht (Sabina, 2023).

According to Sabina (2023), the lingerie market, with a total value of 25,069 million baht, is divided into two categories: 40.1% is branded underwear, while 59.9% is unbranded. In the branded underwear segment, major players like Wacoal and Sabina face fierce competition. They offer a variety of underwear styles that emphasize quality,

design, innovation, and comfort, with a strong focus on body-centric selling points targeting different market segments.



Figure 2.2 Women Expenditure on Innerwear and Related Products

Source: Sabina (2023)

2.2.2 Role of Advertising and Distribution

The rise in fashionable undergarments' popularity is fueled by the influence of celebrities and the impact of social media on advertising (HKTDC Research, 2021). This has created profitable opportunities for industry participants, who are increasingly using digital and social media platforms for advertising to reach a broader, more creative-seeking audience. The COVID-19 pandemic has accelerated the shift to e-commerce in Thailand, with various platforms such as social commerce, e-commerce marketplaces, delivery apps, and retailer e-commerce channels playing a pivotal role in driving growth, especially for consumer goods and high-involvement products (HKTDC Research, 2021).

E-commerce channels are now vital for product distribution, contributing significantly to the industry's overall revenue (OOSGA, 2023). The global innerwear market is marked by intense competition among major players with strong brand recognition and extensive distribution networks. To gain a competitive edge, companies are focusing on product innovation to align with evolving consumer preferences (HKTDC Research, 2021). Notably, a substantial portion of the market's revenue is generated from online sales channels, providing consumers with the convenience of browsing a wide range of undergarment products without visiting physical stores. This shift in distribution channels has also reshaped advertising strategies in the industry.

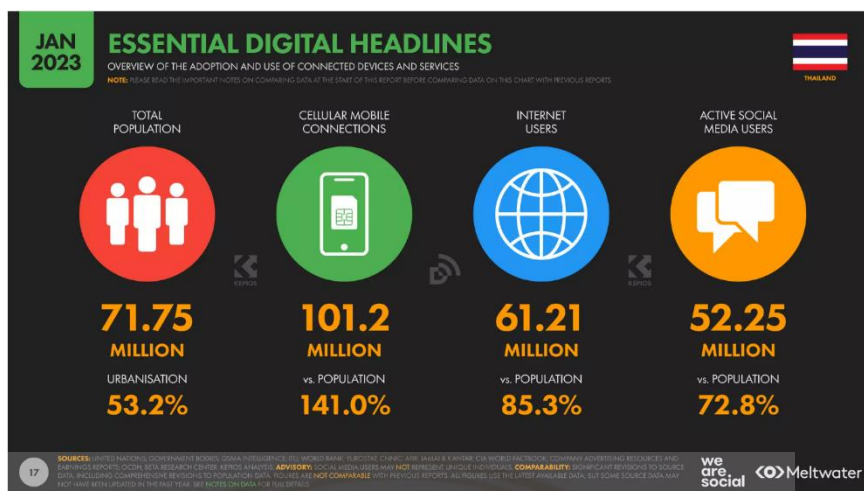


Figure 2.3 Digital, Internet and Social Media Users

Source: Data Reportal (2023)

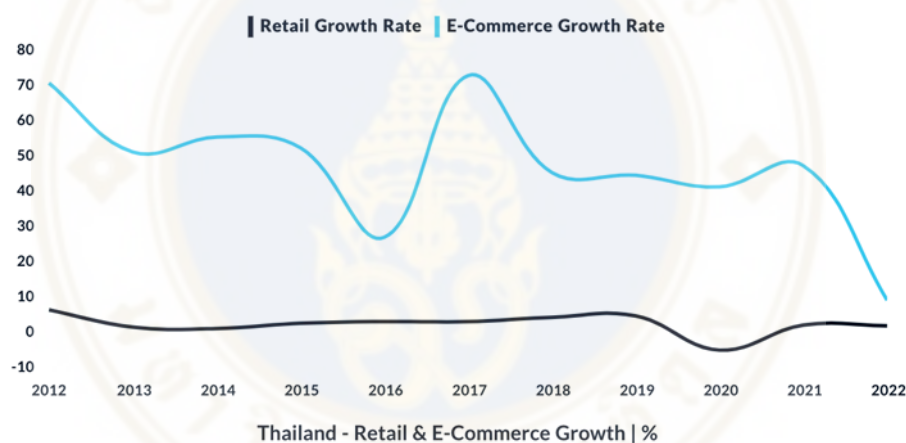


Figure 2.4 Economic Growth in Thailand

Source: OOSGA (2023)

2.2.3 Covid-19 Changing Consumer Behavior

Individuals are in search of a fresh way of living, and a notable shift in their conduct is the embracing of the "smart life" (Warc, 2022). Despite the fact that social media usage in Thailand has reached a certain level of maturity, there was a noteworthy surge of three million new social media users in January 2021 compared to the previous year, reflecting a 5.8% increase (Warc, 2022). This phenomenon indicates a transformation in the characteristics and actions of the social media audience, influenced by the emergence of diverse social platforms and content (Warc, 2022).

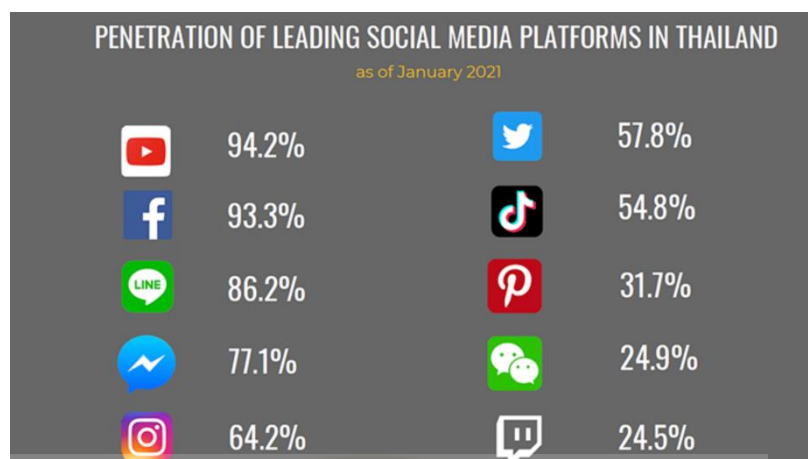


Figure 2.5 Penetration of Leading Social Media Platforms in Thailand

Source: Warc An Ascential Company (2022)

Nowadays, clothing serves a purpose beyond mere practicality. People derive confidence from clothing that aligns with their personality, identity, and mood. A recent HKTDC study shows that 86% of Thai consumers plan to either maintain or increase their spending on fashion apparel in the next three years, creating an opportunity for fashion brands that can adapt to evolving consumer preferences. Notable trends in the industry include heightened awareness of climate change, leading to a demand for eco-friendly clothing, and the importance of using natural, recycled, and sustainable materials. Additionally, innerwear brands have embraced body positivity by featuring diverse models in their advertising, resonating with consumers seeking realistic representations and enhancing their confidence (HKTDC Research, 2021).

Since 2020, the Thai economy has experienced sluggish growth, particularly impacting the underwear market in general storefronts and modern retail outlets. This deceleration is largely attributed to the economic consequences of the COVID-19 pandemic, which restricted consumer purchasing power. During the pandemic, there was a notable acceleration in online shopping adoption, fundamentally altering consumer behavior and expectations. This shift has prompted retailers to prioritize their digital presence, adapt to evolving consumer demands, and invest in technologies to enhance the online shopping experience (Grand View Research, 2021).

Sabina has placed a strong emphasis on the teenage underwear market. Consequently, the brand has been proactively engaging in digital and social media

platforms to raise awareness and expand its market presence (Sabina, 2023). Sabina consistently adapts to evolving technology trends, exemplified by innovations such as the Wireless Shape and seamless bra models. These products, while long-standing in Sabina's lineup, have recently gained popularity among those who view frameless underwear as a modern and innovative choice, deviating from the perception of it being associated with older generations (Media and Society Powered by BJM Thammasat, 2021). Sabina's evolving identity and its savvy selection of brand ambassadors align with its commitment to being a brand that enhances people's lives as well as committed to environmentally friendly production methods, contributing to sustainability and adhering to the concept of "We care for your EVERYWEAR." This commitment was first showcased in a capsule collection called "Friendly Earth," which prioritizes environmentally friendly production processes without compromising quality, comfort, and design, all of which are integral to Sabina's brand (Media and Society Powered by BJM Thammasat, 2021).

2.2.4 Create Value with Innovation

The innerwear industry in Thailand is undergoing a transformation with several innovative trends that cater to evolving consumer preferences. These innovations include a shift toward sustainable materials, with brands adopting eco-friendly fabrics like organic cotton and recycled materials to reduce environmental impact. Additionally, there's a growing emphasis on inclusivity and body positivity, reflecting changing societal norms and fostering brand loyalty. Technological integration is also on the rise, with innerwear brands incorporating features such as moisture-wicking fabrics. Customization and personalization options are gaining popularity, offering customers the ability to tailor their choices for a better overall experience. Furthermore, e-commerce and social commerce platforms are expanding the industry's reach, and sustainable packaging is contributing to brands' eco-conscious efforts. Finally, body-matching technology is helping customers find the ideal fit through measurements and algorithms, enhancing the shopping experience. These innovations collectively shape the dynamic landscape of the Thai innerwear market, aligning with consumer demands and broader sustainability concerns.

2.3 Competitors of Sabina

Some key players driving growth in Thailand with a great brand recognition, high geographic presence, and extensive distribution networks include Wacoal Corporation (Thailand), Calvin Klein and Victoria Secret, Gap Inc, and Urban Outfitters.

Wacoal: the company was founded on October 1, 1970 and is headquartered in Bangkok, Thailand. Feature products such as Wireless Bra Wacoal Travel Bra Body Bra, Secret Support Panty, and Feminine Protection Panty. Thai Wacoal Public Company Limited manufactures and sells finished garment products, including women's lingerie, women's outerwear, and childrenswear. Its main product category is women's lingerie, which is produced under registered trademarks and licensed brands. Domestic and export sales account for 72% and 28%, respectively, of the company's total sales turnover

Victoria's Secret: The largest intimate specialty store in the world, offering a variety of contemporary and fashion-inspired collections, including Victoria's Secret renowned bras, lingerie, sleepwear, swimwear, athleisure and prestigious as well as award winning fragrances and body care products. The brand is dedicated to empowering women worldwide through experiences and products that support, advocate them and their journeys, build enduring relationships, and promote change..

Calvin Klein: In 1968, Calvin Klein was established. The biggest designer underwear brand in the world is its own distinct entity. Calvin Klein Underwear has built a reputation as the go-to brand for customers looking for sexy, stylish, and comfortable underwear thanks to its classic advertising campaigns that include top models, celebrities, and up-and-coming talent.

People's Garment: Established in Chicago on January 30, 1980, Peoples Garment Company is a clothing brand that intricately weaves forgotten sports stories into its apparel. The company's stylish and comfortable clothing, made from high-quality materials, has been a staple in the garment production industry since its inception. In 1988, the company gained approval from the Ministry of Finance to be listed on the Stock Exchange of Thailand, officially becoming People's Garment Public Company Limited in 1994. With a core focus on delivering quality products with commitment spans from selecting premium raw materials to research and development, production, and rigorous quality control processes.

Urban Outfitters, Inc: is a big retail company that started in the United States, founded by Richard Hayne, Judy Wicks, and Scott Belair in 1970. Urban Outfitters sells a mix of cool and trendy stuff, focusing on young people who like fashion, music, and modern art. They have different brands for various youth interests.

Gap Inc: is a big store that sells clothes and other stuff around the world. It was started in 1969 in San Francisco and California, USA, founded by Donald Fisher and Doris F. Fisher. Gap Inc. has become one of the largest special stores for clothes. They have many famous brands that sell a lot of different things like clothes, accessories, and personal care items.



CHAPTER III

DISCOUNTED CASH FLOW VALUATION

In this DCF valuation is shown to find the intrinsic value of SABINA. DCF valuation determines the company's target price from its potential future cash flow that the company can generate. Accordingly, in this chapter, the sales forecast is first developed with the regulatory income statement in this section.

3.1 Pro Forma Income Statement

The projection from 2023 to 2027 is calculated to forecast the free cash flow to the firm (FCFF) and the pro forma income statement will be shown after the revenue forecast and key assumptions regarding cost and expense.

3.1.1 Revenue Forecast

It is noticed that the main source to drive Sabina profit are mainly from revenue from production sales, services, other revenue and other operating income. Therefore, to determine the company potential of future cash flow and to measure the intrinsic value, the forecasted revenue should be crucial in this part. With the sale breakdown, the revenue from sales is the majority of total revenue and followed by the other revenue distributors in Figure 3.1. The forecasted sale is calculated in Figure 3.2, the forecasted sale is calculated based on the percentage share of Sabina Revenue and the Clothing industry size.

Table 3.1 Own calculation from Bloomberg (2023)

Sale Break down						Forecasted				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
SALES (MTHB)	3,102.91	3,290.96	2,911.68	2,651.59	3,179.72	3,336.06	3,335.69	3,342.54	3,585.08	3,808.30
Revenue from Sales	3,089.84	3,279.50	2,862.21	2,612.55	3,158.06	3,305.22	3,304.85	3,311.64	3,551.94	3,773.10
Revenue from Service	0.00	0.24	35.80	18.81	9.70	13.88	13.88	13.91	14.92	15.84
Other Operating Income	11.63	11.22	13.67	20.24	11.96	14.78	14.77	14.80	15.88	16.87

Table 3.2 Own calculation (2023)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Nominal GDP Size (MNTHB)	16,373,340	16,892,410	15,636,890	16,178,720	17,325,990	18,177,860	18,621,700	19,964,740	21,043,120	22,899,260
Clothing Industry size (MTHB)	270,848.00	275,517.00	223,271.00	203,739.00	209,892.00	220,211.80	231,038.99	242,398.52	254,316.57	266,820.60
Sabina Total Revenue	3,103	3,291	2,912	2,652	3,180	3,336	3,336	3,343	3,585	3,808
<i>- Growth</i>		6%	-12%	-9%	20%	5%	0%	0%	7%	6%
<i>Implied % Market Share of Sabina sales</i>	1.1%	1.2%	1.3%	1.3%	1.5%	1.5%	1.4%	1.4%	1.4%	1.4%

3.1.2 Cost and Expense Forecast

The cost of goods sold assumption is to be at 50% of Total Revenue based on the historical data and the company has stated in the annual report that the current cost of goods sold has decreased to 50-52% from 65% in the past due to their strategies to minimize the cost. Besides, selling, general and administration is calculated and assume from the average of the historical data and accumulated for the following year, as refer to the actual data, there is a similar amount of SG&A spent each year and the finance cost is also calculated with the same approach. Additionally, the tax rate for the projected year from 2023 to 2027 will be the average of the historical data (Figure 3.3).

Below is the proforma income statement with the projected revenue , cost and expenses, is shown in Figure 3.3. The calculated EBIT will be used to derive the Free Cash Flow in the DCF valuation.

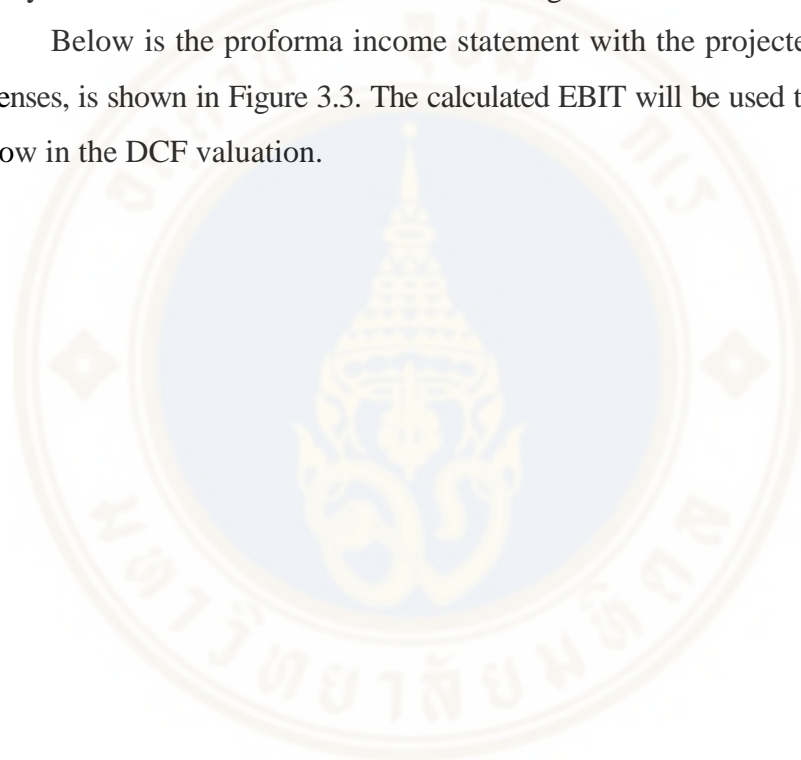


Table 3.3 Own calculation

(In Million Thai Baht)	Historical Data					Projection					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	2023	2024	2025	2026	2027	CAGR
<i>Source of Revenues</i>											
Revenue from Sales	3,090	3,279	2,862	2,613	3,158	3,305	3,305	3,312	3,552	3,773	2.24%
Revenue from Service	0	0	36	19	10	14	14	14	15	16	-8.66%
Other Revenue	1	0	0	0	0	0	0	0	0	0	-14.45%
Other Operating Income	12	11	14	20	12	15	15	15	16	17	4.22%
Total Revenue	3,103	3,291	2,912	2,652	3,180	3,336	3,336	3,343	3,585	3,808	2.30%
Cost of Goods Sold	1,495	1,494	1,525	1,346	1,647	1,658	1,657	1,661	1,781	1,892	2.65%
GROSS PROFIT	1,608	1,797	1,387	1,306	1,532	1,678	1,678	1,682	1,804	1,916	1.97%
SG&A	1,156	1,276	1,034	937	1,018	1,084	1,070	1,029	1,028	1,046	-1.11%
EBIT	452	520	353	369	514	594	608	653	776	870	7.54%
Finance cost	1.44	8.33	9.10	4.91	4.33	4.33	4.33	4.33	4.33	4.33	
Tax	89.26	102.00	68.54	73.10	97.36	116.61	119.40	128.25	152.59	171.20	
<i>Tax %</i>	<i>0.20</i>	<i>0.20</i>	<i>0.20</i>	<i>0.20</i>	<i>0.19</i>	<i>0.20</i>	<i>0.20</i>	<i>0.20</i>	<i>0.20</i>	<i>0.20</i>	
Net income	361.59	413.25	276.81	294.19	417.22	473.25	484.57	520.47	619.25	694.79	7.53%

3.2 Terminal Growth Rate

In a discounted cash flow model, we use the terminal growth rate after the projection period. We assume the company's free cash flow will keep growing at a terminal growth rate of 2.30%. This rate is figured out using the total revenue compound annual growth rate (CAGR) of SABINA. We estimate sales revenue for these segments by connecting it with nominal GDP and Clothing industry. By using the Compound Annual Growth Rate (CAGR) of total revenues as the terminal growth rate in a Discounted Cash Flow (DCF) analysis is representing a lasting and realistic measure of the company's organic growth and the CAGR is like a consistent growth rate calculated over a specific period.



Table 3.4 Own Calculation

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	CAGR
Nominal GDP Size (MNTHB)	16,373,340	16,892,410	15,636,890	16,178,720	17,325,990	18,177,860	18,621,700	19,964,740	21,043,120	22,899,260	3.80%
Clothing Industry size (MTHB)	270,848.00	275,517.00	223,271.00	203,739.00	209,892.00	220,211.80	231,038.99	242,398.52	254,316.57	266,820.60	-0.2%
Sabina Total Revenue	3,103	3,291	2,912	2,652	3,180	3,336	3,336	3,343	3,585	3,808	2.30%
<i>- Growth</i>		6%	-12%	-9%	20%	5%	0%	0%	7%	6%	3%
<i>Implied % Market Share of Sabina sales</i>	1.1%	1.2%	1.3%	1.3%	1.5%	1.5%	1.4%	1.4%	1.4%	1.4%	

3.3 Cost of Capital

In addition to the above terminal growth rate, the cost of capital is another important factor in DCF (Discounted Cash Flow) valuation as it determines the rate at which future cash flows are discounted. In this DCF evaluation, we employ the weighted average cost of capital (WACC), where the cost of equity is determined using the capital asset pricing model (CAPM). This segment will initially explain the cost of equity, covering the risk-free rate, equity risk premium, and the adjusted beta. Following that, the WACC will be presented, including the cost of debt. The formula that will be used to calculate the cost of capital (WACC) is

$$\text{WACC} = W_d \times R_d(1-\text{Tax}) + W_e \times R_e$$

where:

E : Market value of the firm's equity (Market Cap)

D : Market value of the firm's debt

V : E+D

R_e : Cost of equity (required rate of return)

R_d : Cost of debt (yield to maturity on existing debt)

T : Applicable tax rate

3.3.1 Cost of Equity

The cost of equity, determined using the CAPM pricing model, can be calculated as follows: Cost of Equity (R_e) = Risk-Free Rate (R_f) + Beta × Market Risk Premium (MRP)

Where:

R_f : is the risk-free rate (based on the yield of a 10-year government bond).

Beta : represents the relative market risk.

MRP : is the market risk premium.

The risk-free rate of 3.07%, was obtained on November 24, 2023, from the Thai Bond Market Association (ThaiBMA) using the yield of a ten-year government bond as the 10 years yield is long enough to provide a consistency in estimating the risk-free rate of the company and industry. The beta is a crucial factor for DCF valuation,

indicating the systematic risk in the equity returns. The adjusted beta of SABINA that will be used for calculating the cost of equity is 0.94 (SETSMART, 2023) while the Market Risk Premium is at 6.8%. As a result, the cost of equity is calculated at 9.45% which will be used to estimate the WACC.

Table 3.5 Own Calculation

Beta	0.94
Risk free rate (Rf)	3.07%
Market rate of return (Rm)	9.86%
Market risk premium (MRP)	6.8%
Cost of Equity	9.45%

3.3.2 Cost of Debt

The cost of debt is the current effective cost of debt, is calculate by using interest expense divided by the total interest-bearing debt in 2022 to have a pre-tax cost of debt at 1.4%. To get the after-tax cost of debt, we use the average effective tax rates from the historical data at 20%. As a result, SABINA after- tax cost of debt is 1.09%.

In addition, after calculating the cost of equity and cost of debt, we got the WACC is at 9.2% as shown in the Figure 3.1 with the weight of debt of 3.3% and the weight of equity at 96.7% where the equity is the market capitalizations as of November 25, 2023.

Share Price	November 27,2023
	26.75
Share Outstanding	
	348 million
Market value of Debt	317.42
Market value of Equity Market	9,295.63
value of capital	9,613.04
Weight of Debt (Wd)	0.033
Weight of Equity (We)	0.966
Beta	0.94
Risk free rate (Rf)	3.07%
Market rate of return (Rm)	9.86%
Market risk premium (MRP)	6.8%
Cost of Equity	9.45%
Pre-tax Cost of Debt	1.4%
After-tax Cost of Debt	1.09%
Tax rate	0.20
1 - Tax rate	0.80
WACC	9.2%

Figure 3.1 Own Calculation

3.4 Free Cash Flow Projection

With the discussion of EBIT from the pro forma income statement, terminal growth rate calculation, and the cost of capital, the target price is then attained from the summation PV of future cash flows with the perpetual growth. In Table 3.6, shows the projection of cash flows, working capital, depreciation and amortization.

CAPEX is expected to remain the same as the historical year since 2023 as the company has a plan to restore the total sales to pre-pandemic period following the company's long term goal (Sabina, 2023). For change in working capital estimation is from average working capital of historical data. Instead of using revenue

proportion, depreciation is linked to CAPEX then the depreciation would also remain relatively constant. After we get the EBIT in the pro forma income statement as well as the tax rate at 20%, the free cash flow to the firm could be found by using after-tax EBIT adds back the non-cash depreciation and deduct the necessary cash for operation change in working capital and capital expenditure, as shown in Table 3.6.



Table 3.6 PV of Free Cash Flow and Terminal Value

(In million Thai Baht)						0	1	2	3	4
Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
EBIT	452.29	520.38	352.73	368.95	514.06	594.20	608.30	653.04	776.16	870.33
Interest	(1.44)	(8.33)	(9.10)	(4.91)	(4.33)	(4.33)	(4.33)	(4.33)	(4.33)	(4.33)
TAX	(89.26)	(102.00)	(68.54)	(73.10)	(97.36)	(116.61)	(119.40)	(128.25)	(152.59)	(171.20)
Tax rate	20%	20%	20%	20%	19%	20%	20%	20%	20%	20%
NOPLAT	361.59	410.05	275.09	290.94	412.37	473.25	484.57	520.47	619.25	694.79
Depreciation	44.35	42.75	43.68	39.02	37.58	37.58	37.58	37.58	37.58	37.58
Change in net working capital	-	504.21	(24.10)	(178.10)	(191.26)	(87.60)	270.31	(14.78)	(119.47)	150.42
CAPEX	(54.61)	(31.18)	(29.10)	(15.14)	(34.48)	(34.48)	(34.48)	(34.48)	(34.48)	(34.48)
CASHFLOW TO THE FIRM	351.33	925.84	265.57	136.71	224.21	388.75	757.98	508.79	502.88	848.32
										12,624.02
Summary of Cash Flow						388.75	757.98	508.79	502.88	13,472.34
DISCOUNTED CASHFLOW						\$388.75	\$694.27	\$426.86	\$386.43	\$9,482.50

The terminal value is calculated by using Gordon Growth Model with the assumption of the last projected free cash flow to grow perpetually at a rate of 2.3%, the terminal value will be discounted by a period of 4 years, as a result SABINA have an enterprise value of 11,378.81 million Thai Baht..

Table 3.7 Own Calculation

ENTERPRISE VALUE	11,378.81
ADD CASH	111.77
NET DEBT	317.42
EQUITY VALUE	11,179.17
# OF SHARES (MN)	348

The market value of SABINA is 26.75 per share at November, 2023, which is calculated with an equity value of 11,179.17 million Thai Baht and 348 million common shares, as showed in Table 3.7. Therefore, with the cost of equity of 9.45%, the estimated share price of 2023 is 32.12 Thai baht per share. The equity value is obtained firm value added the cash and deducted the interest bearing debt.

3.5 Sensitivity Analysis

Table 3.8 Sensitivity Analysis of Terminal Growth and WACC

	Based Case	WACC					
	32.12	5.2%	7.2%	9.2%	11.2%	13.2%	15.2%
Terminal Growth	1.40%	60.68	39.31	28.97	22.88	18.89	16.06
	1.70%	65.47	41.19	29.94	23.46	19.26	16.32
	2.00%	71.17	43.29	30.98	24.07	19.65	16.59
	2.30%	78.06	45.64	32.12	24.73	20.07	16.87
	2.60%	86.55	48.30	33.37	25.42	20.51	17.17
	2.90%	97.28	51.34	34.73	26.17	20.97	17.48

This sensitivity analysis of WACC and terminal growth rate helps gauge how adjustments in these critical assumptions impact the calculated share price. Changes to either the WACC or the terminal growth rate have a direct effect on the estimated share price and a higher WACC or lower terminal growth rate tends to decrease the present value of future cash flows, leading to a reduced share price. Conversely, a lower WACC or higher terminal growth rate can boost the share price as shown in table 3.8.

In examining the sensitivity of WACC and terminal growth rate affect the target price. According to table 3.8 illustrates that the target price is significantly influenced by adjustments in these key factors. For example, the WACC increased to 11% to 15.2% from 9.2%, causing the stock price to decline to 16.87 baht per share from 32.12 baht per share. On the other hand, we can notice how sensitive terminal growth rate affects stock price, we used a constant WACC of 9.2%, there is an impact on share price to decrease when the growth rate is decreasing..

Additionally, conducting this sensitivity analysis offers valuable insights into the resilience of the valuation model and identifies key factors influencing share price uncertainty. We can notice that this approach ensures that stakeholders gain a comprehensive understanding of how variations in these crucial inputs may influence the estimated share price, allowing for a more informed decision-making process in various scenarios.

CHAPTER IV

INVESTMENT RISKS AND DOWNSIDE POSSIBILITIES

In this chapter, we'll explore and clarify the possible dangers of putting money into this company. These risks come from things outside the company and events happening within it. Our main source of information will be Sabina's annual report for the year 2022. The goal here is to make complicated details easier to understand, helping you grasp all the potential risks that might harm the company. We aim to give you a brief evaluation of both risks from the outside and those within the company, using insights from the annual report. This will give you a clearer picture of what to consider for when making decisions about investing your money.

4.1 Operational Risk

4.1.1 Inventory Risk

The company grapples with dual inventory challenges – the risk of having excessive stock or facing shortages. On one hand, the diverse range, cost-effective production, and various sizes of women's underwear pose the risk of surplus inventory, leading to storage, damage, and financing concerns. Yet, it also offers customers a wide product selection. Conversely, the "No-take" policy, enforced since 2020 in response to COVID-19, seeks to balance inventory and production. However, it introduces the risk of insufficient inventory, potentially causing shortages, sales target difficulties, and delays in delivering OEM items.

In 2022, the company proactively addressed these challenges. Steps included expanding manufacturing capacity, hiring more staff, and improving inventory flexibility. They also diversified sources by acquiring finished goods from China, Hong Kong, Vietnam, and other locations. This strategic approach ensures a harmonious blend of in-

house production and outsourcing, promoting stability and creating avenues for product innovation.

4.1.2 Shortage of Craftsmanship

A significant challenge in the manufacturing of women's lingerie lies in the scarcity of qualified employees, particularly as acquiring highly skilled individuals in the lingerie industry proves to be challenging. The impact of the COVID-19 pandemic exacerbated this issue, as employees had to relocate to safer locations, leading to diminished manufacturing capacity, delayed deliveries, and compromised quality due to talent shortages.

As the pandemic situation began to improve in 2022, the company anticipated sales growth, necessitating an increase in production capacity. To address the shortage of skilled tailoring workers, the company adopted a proactive approach by recruiting individuals with limited tailoring skills. They initiated a training program designed to enhance tailoring abilities and familiarize new staff with various machines. To consistently enhance the capabilities of their workforce, the organization offers incentives for skill development and conducts regular assessments.

4.1.3 Dependence on Few Major Raw Material Suppliers

At the present, the company sources raw materials from a mix of domestic (48%) and international (52%) suppliers, with seven key suppliers contributing to 42% of the total procurement value. The selection of these significant suppliers is based on their ability to provide high-quality materials at competitive prices, meet delivery schedules, and actively contribute to product innovation. Additionally, these suppliers exhibit responsible environmental, social, and governance (ESG) practices and comply with legal requirements.

In the event of challenges faced by these primary suppliers in meeting material delivery deadlines, the company has contingency plans in place, including exploring alternative suppliers. However, such occurrences are infrequent due to the established and proficient partnerships with these key suppliers. The company conducts regular evaluations of suppliers, reporting results every six months, encompassing quality inspections and delivery performance assessments to uphold its commitment to excellence. Collaboration on quality systems, site visits to assess supplier operations, and

quarterly examinations of procurement plans are integral to the company's practices. Moreover, procurement risk levels are categorized based on raw material types (e.g., fabric, lace, sponge, rubber), ensuring effective control over potential impacts on production plans, production costs, and product delivery.

The organization collaborates on quality systems, conducts site visits to evaluate the operation of its suppliers' operations, and examines procurement plans quarterly. Furthermore, procurement risk levels are defined depending on raw material categories (for example, fabric, lace, sponge, rubber), guaranteeing that the company can control potential consequences on production plans, production costs, and product delivery.

4.2 Sustainability risk

Sabina is unwavering in its commitment to sustainability, incorporating responsible business practices across all facets of its operations. With a dedicated adherence to environmental, social, and governance (ESG) principles, Sabina strives to make a positive global impact. The company ensures a conscientious business approach through initiatives such as thorough supplier evaluations, prioritization of sustainable sourcing for raw materials, and regular reviews of procurement plans. Sabina's dedication to excellence, creativity, and ethical conduct reflects its vision for an environmentally friendly and resilient future.

4.2.1 Climate Change Action

The rapid expansion of the fashion industry, particularly the garment sector, has led to significant environmental challenges and climate change due to its substantial waste footprint. Ignoring eco-friendly production practices poses risks to a company's brand image, reputation, and social acceptance, potentially impacting commercial operations.

Recognizing the urgency of addressing climate change, the company actively manages associated risks. They are dedicated to creating environmentally friendly products aligned with the company's slogan, "We care for your EVERYWEAR." The objective is to increase the share of these eco-friendly products to 5% by 2023 and 10% by 2025, aiming for long-term sustainability. The positive response to sustainable products indicates their potential to become significant contributors to sales. This

proactive approach demonstrates the company's commitment to mitigating environmental impact and fostering a sustainable future.

4.2.2 Climate Change-related Regulatory Risks

Global efforts are underway to achieve "Zero" greenhouse gas (GHG) emissions by 2065, driven by the pressing need to address climate change. Aligned with this, the Thai government has set ambitious targets, aiming to reduce GHG emissions by 40% by 2030, attain carbon neutrality by 2050, and achieve net-zero GHG emissions by 2065. Meeting these targets entails regulatory challenges for the company, requiring adjustments in reporting to align with the criteria of the Thai Stock Exchange.

Non-compliance with these regulations could result in inquiries from authorities, the World Association, and investors, posing risks to the company's reputation and potentially leading to the imposition of a carbon tax on activities producing greenhouse gases. To mitigate these risks, the company has undertaken measures, including voluntary participation in the Greenhouse Gas Emission Reduction Scheme, the formulation of short and long-term strategies to reduce emissions across various operations, and modifications to the CFO and CFP data reporting model. These changes aim to ensure effective disclosure and mitigation of greenhouse gas emissions, showcasing the company's commitment to environmental responsibility and regulatory compliance.

4.2.3 Employee and Customer Personal Data Protection (PDPA)

Beyond sales and cost management, the company places significant importance on safeguarding the personal data of both employees and customers. Unauthorized access to sensitive information, whether from internal or external sources, poses a threat to the rights of data owners and may lead to legal penalties.

The increased reliance on modern technology, particularly during shop closures amid the COVID-19 pandemic, has heightened the need for robust data security. Acknowledging this, the company has implemented rules and processes to ensure the protection of personal information. They scrutinize how personal data is handled, institute security measures, and respond to requests from data owners seeking to exercise their rights.

To restrict data access, the organization employs various measures, including tailoring data access privileges based on entity needs and incorporating Multi-Factor

Authentication. These safeguards are implemented to prevent leaks and breaches of personal information, emphasizing the company's commitment to maintaining the security and privacy of individuals' data.

4.2.4 Human rights

There are two potential human rights risks that the company may encounter: Holidays and Forced Overtime: Insufficient production capacity or strict deadlines may necessitate those employees work extra hours or on holidays, which could have a negative effect on team morale and employee engagement. The company is confronted with challenges related to insufficient capacity in 2022. To mitigate this, it is implementing order acceptability criteria that are dependent upon lead time, delivery schedules, and production capacity. Prior to employees working overtime or on holidays, the Human Resources Department mandates a voluntary review. Additionally, an ongoing assessment of employee engagement is conducted.

Misinterpretation of Human Rights: An additional concern pertains to employees lacking knowledge of human rights, which may result in consequences such as verbal aggression or supervisory fraud attributed to employee mistakes. Although the organization currently faces minimal risks in this field, it has implemented preventative measures. This includes leadership training for management and human rights training for staff and security officers. The ultimate goal of these initiatives is to cultivate a positive work environment by educating employees about human rights, improving their communication skills, and decreasing the probability of dissatisfaction, which in turn will reduce the number of resignations.

4.3 Global economic downturn

The impact of COVID-19, as well as concerns from the Russia-Ukraine War, has resulted in a worldwide economic slowdown, impacting Thai purchasing power. Despite this, the Thai economy is anticipated to increase by 3.4% in 2022 as private consumption and tourism rebound. To respond to the challenging market, the company is introducing advertising techniques, cooperating with retailers and online Marketplaces include collaboration in marketing activities and the introduction of

environmentally friendly products in order to capitalize on new market possibilities. To mitigate revenue risks in the face of economic uncertainty, the company has created target-group distribution plans:

- Offering exceptional low-cost items in packs that are offered in a variety of markets, including TV and catalog channels.
- Sabina Happy Price items at low prices are now available in Modern Trade outlets such as Big C, Lotus, Provincial Department Store, and Sabina Shop.
- Providing general products at a reasonable price, Central, Robinson, The Mall, Provincial Department Store, and Sabina Shop are accessible in stores countrywide and at numerous department stores such as Central, Robinson, The Mall, Provincial Department Store, and Sabina Shop.
- High-priced Swimwear fashion goods are distributed in big city department stores such as Bangkok and Sabina Shop.

These actions and programs are intended to assist the company in meeting its business performance objectives despite challenging economic circumstances.

CHAPTER V

CONCLUSION

This valuation report utilize the DCF method to displayed to look for the current target price of Sabina, with the present period in November 2023. Considering Sabina's historical performance, apparel clothing industry, and the external factors both before and after the impact of the Covid-19 pandemic, then the future cash flows, and growth rate are projected accordingly. The sales growth is highly and positively related to the industry consumption and the GDP growth. The CAGR of total revenue forecast for the upcoming four years till 2027 is 2.3% which will presented as the terminal growth rate as an organic growth of the company along with the GDP growth. Another crucial key input for this valuation is the WACC of 9.2% with cost of equity of 9.45% and 1.4% cost of debt due to low portion of interest bearing debt. Finally, incorporated the terminal growth rate, WACC and the terminal value, as a result, the enterprise value is 11,378.81 million baht at the end of 2027

Last but not least, the target price of Sabina at the end of 2023 is 32.12 baht per share. In this chapter, the investment summary is carried out based on the target price and any related considerations. Furthermore, the limitation of this valuation will be discussed later in this chapter.

5.1 Investment Summary

Based on above analysis of Sabina's market price compared to its intrinsic value, it is evident that the current share price is undervalued. The estimated intrinsic value suggests a target share price of 32.12 Thai baht per share, whereas the current share price stands at 26.75 Baht. This substantial undervaluation presents a compelling opportunity for investors. With a 20% upside from the current price, the recommendation is to "HOLD" Sabina shares. It's important to note the 52-week market trading range, which indicates the lowest at 22.6 Baht and the highest of 32 baht as shown in Figure 5.2.

Considering the sensitivity of the estimated Weighted Average Cost of Capital (WACC) and terminal growth, ranging from 22.88 Baht to 48.3 baht (Figure 5.1), the criteria for the investor's decision to buy, sell, or hold should primarily depend on the upside percentage as of figure 5.1. Given the substantial upside potential of 20%, investors are encouraged to consider a buying position for Sabina shares.

Table 5.1 Recommendation Criteria

Recommendation	Trigger
BUY	Upside over 20%
Hold	Within 20% upside or greater than 10% down side
Sell	Lower than 20% downside

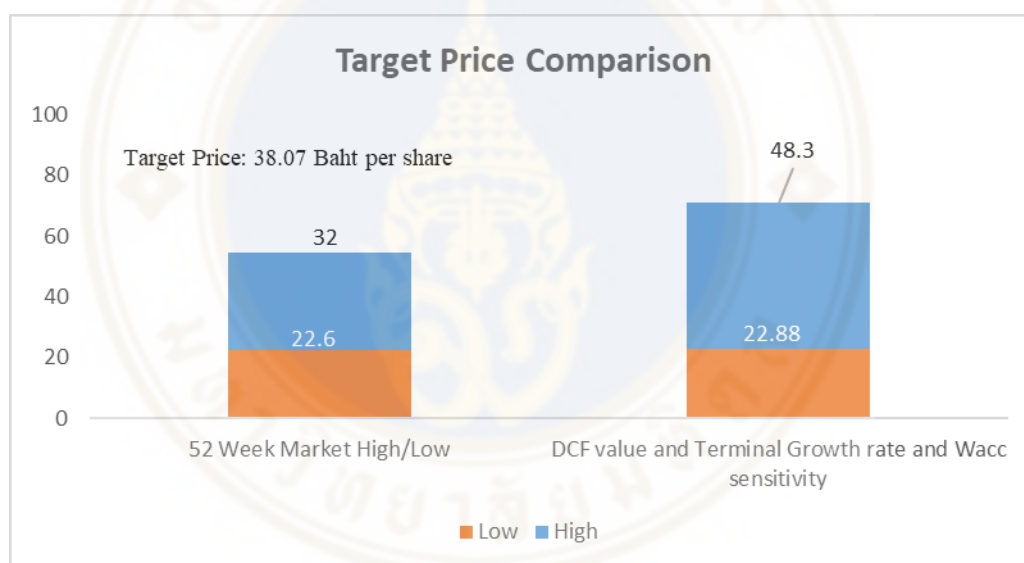


Figure 5.1 Target Price Comparison

5.2 Trigger Re-assessment

The discounted cash flow (DCF) method relies on controllable and uncontrollable factors, such as the company's capital structure policy and broader economic conditions. Key factors include the terminal growth rate, discounted rate, and future cash flow. Terminal growth rate selection is critical, impacting the DCF method's terminal value calculation, and thus requires careful forecasting of real growth rate. The

discounted rate involves adding a risk premium to the cost of capital, and any significant changes in the capital structure necessitate a re-assessment. Future cash flows are forecasted based on assumptions about the business's future performance, making it vital to re-assess when uncertain assumptions arise.

5.3 Limitations:

The DCF valuation is highly sensitive to forecasts, varying widely based on numerous assumptions. Inaccuracy can result from a single incorrect assumption, with the terminal value accounting for a significant portion of the total value. The model ignores market-related valuation information, like comparable company valuations, emphasizing the need for a combined approach. Additionally, DCF is unsuitable for short-term investing, focusing on long-term value creation.

This choice is sensible when it matches the company's expected future growth, taking into account things like industry trends, current market conditions, and how well the company competes. However, it's crucial to carefully evaluate if this growth rate makes sense for the company. Regularly reviewing and updating these assumptions is important due to the changing nature of the market.

REFERENCES

- Bank of Thailand. (2023). *Press Release on the Economic and Monetary Conditions for August of 2023*. Retrieved from <https://www.bot.or.th/en/news-and-media/news/news-20230929.html>
- Dana, M. Peterson. (2023). *Global Overview*. Retrieved from <https://www.conference-board.org/topics/global-economic-outlook>
- Data Reportal, (2023). *Digital 2023 Thailand*. Retrieved from <https://datareportal.com/reports/digital-2023-thailand>
- Fashion constant witness to fashion dynamism. (n.d.). *About Calvin Klein Jeans*. Retrieved from <https://fashiongear.fibre2fashion.com/brand-story/calvinklein/about-the-brand.asp>
- Grand View Research, (2021). *Innerwear Market Size, Share, Trends & Growth Report 2017-2030*. Retrieved from <https://www.grandviewresearch.com/industry-analysis/innerwear-market-report>
- HKTDC Research. (2021). *Thai Consumer Preferences: Clothing and Accessories*. Retrieved from <https://research.hktdc.com/en/article/NjQwNDk1MzQ3>
- MarketWatch. (n.d.). *WACOAL: Thai Wacoal PCL Profile*. Retrieved from <https://www.marketwatch.com/investing/stock/wacoal/company-profile?countrycode=th>
- Media and Society Powered by BJM Thammasa. (2021). *SABINA, an eco-friendly bra brand material, and production processes*. Retrieved from https://mediaandsociety.org/sabina-an-eco-friendly-bra-brand-material-and-production-processes/?utm_source=rss&utm_medium=rss&utm_campaign=sabina-an-eco-friendly-bra-brand-material-and-production-processes
- Meesen, N. (2019). *Labour Protection in Thailand a Case Study of Triumph International and Labour Union*. Retrieved from <https://shapesea.com/wp-content/uploads/2019/04/Chapter-3-Part-2-Labour-Protection-in-Thailand-A-Case-Study-of-Triumph-International-and-Labour-Union.pdf>

REFERENCES (Cont.)

- National Statistical Office (2023). *Consumption Expenditure at Current Market Prices by Type of Expenditure Year 2011 - 2020*. Retrieved from <http://statbbi.nso.go.th/staticreport/page/sector/en/10.aspx>
- NESDC. (2023). *Thai Economic Performance in Q2 of 2023 and the Outlook for (2023)*. Retrieved from https://www.nesdc.go.th/nesdb_en/article_attach/article_file_20230821091203.pdf
- Office of the National Economic and Social Development Council. (2022). *National Income of Thailand 2021 Chain Volume Measures*. Retrieved from https://www.nesdc.go.th/ewt_dl_link.php?nid=13483&filename=ni_page
- OOSGA, (2023). *Thailand-E-Commerce Market Outlook & Retail Trends in 2023*. Retrieved from <https://oosga.com/e-commerce/tha/>
- People's Garment Public Company Limited. (2023). *About Us*. Retrieved from <https://www.pg.co.th/about-us/>
- Stock Exchange of Thailand (SETSMART), (2023). *SABINA Price, 2023*. Retrieved from <https://www.set.or.th/en/market/product/stock/quote/SABINA/price>
- Stock Exchange of Thailand (SETSMART). (2023). *SABINA Factsheet 2023*. Retrieved from <https://www.set.or.th/en/market/product/stock/quote/sabina/factsheet>
- Thai Bond Market Association (ThaiBMA), (2023). *Government Bond Yield Curve*. Retrieved from <https://www.thaibma.or.th/EN/Market/YieldCurve/Government.aspx>
- Thai Wacoal Public Company Limited. (2023). *About Us*. Retrieved from https://corporate.wacoal.co.th/about_us/business_nature_en.php
- Thailand Business Environment. (2023). *The Consumer*. Retrieved from <https://international.groupecreditagricole.com/en/international-support/thailand/business-environment>
- The World Bank, (2021). *GDP per capita, PPP (international \$) – Thailand*. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?end=2022&locations=TH&start=1993>

REFERENCES (Cont.)

- Trade Markets. (2021). *Analyze market trends: Thailand's economic and political outline*. Available from <https://santandertrade.com/en/portal/analyse-markets/thailand/reaching-the-consumers>
- Victoria's Secret & Co. (n.d.). *About us*. Retrieved from <https://www.victoriasssecretandco.com/our-company/about-us>
- Warc An Ascential Company. (2022). *How the pandemic has changed the Thai consumer: What to expect in 2022*. Retrieved from <https://www.warc.com/newsandopinion/opinion/how-the-pandemic-has-changed-the-thai-consumer-what-to-expect-in-2022/en-gb/5566>