

**VALUATION OF HOME PRODUCT CENTER  
PUBLIC COMPANY LIMITED**



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ABSTRACT

This paper provides a perspective on valuation studies by a Master Degree student. Based on impressions from the Valuation and Investment class, I was inspired by the example of successful and failure mergers and acquisition to debate how we see, understand, and are inspired by the field of valuation studies. Using the classroom experience as a springboard, I argue that the domain of valuation studies still relies heavily on influences from the study of economics, with a strong emphasis on processes of quantification and calculation. With apparent pragmatism within the field, the discounted cash flow method is used to value the company, including other valuation method to derived at the most appropriate result. Financial and economic reports also used to develop assumptions together with consensus research to evaluate economics trend.

KEY WORDS: Valuation / WACC / Discounted Cash Flow / FCFE

34 pages

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## CHAPTER I VALUATION

### 1.1 Company Highlight

**Table 1.1** Quarterly EPS and P/E Ratio

Year	Mar	Jun	Sep	Year	P/E Ratio
2010A	0.09	0.10	0.10	0.37	23.76
2011A	0.09	0.09	0.10	0.34	32.28
2012A	0.10	0.10	0.11	0.38	33.28
2013A	0.10	0.09	0.09	0.32	29.22
2014E	0.08	0.07	0.07	0.35	31.54

**Fundamental and valuation are indicative of Hold:** With the target price of THB 12.13 at the end of 2014, which is 12.3% upside gain. However, since the current situation is largely driven by the market uncertainty and tremendous capital inflow. HMPRO's business model is cash-based, and the company maintains its liquidity due to the conservative management. The fundamental remains strong and company performance is expected to growth at 10.0% in year 2014.

**Expansion still aggressive but store size will tend to be smaller:** Management reaffirmed plans to debut five HomePro stores in Thailand and the first branch in Malaysia in 2nd quarter of 2014. All domestic stores to open in second quarter of 2014 will be located only in first-tier cities, as demand in second-tier and third-tier cities remains weak. For next year, the firm plans to open 6-8 HomePro stores and four Mega Home outlets in Thailand, while the schedule for the second branch in Malaysia has slipped to year 2016. The mean size of the stores to open next year will be smaller.

**Macro environment does not favor HMPRO:** Total investment declined by 6.9 percent, compared with a contraction of 9.3 percent in the previous quarter.



Public investment contracted by 6.7 percent compared with a 16.6 percent contraction in the first quarter owing to improvement in investment by state-owned enterprises. Private investment declined by 7.0 percent due to contraction in construction, machinery and equipment investment.

**Profit squeezed by losses at Mega Home and Malaysia operation:**

Mega Home losses and pre-operating expenses for expansion in Malaysia present major headwinds to second half of 2014 earnings. Management expects Mega Home to achieve its margin in late fiscal year 2015, while the Malaysian operation is likely to take 4-5 years to break even. It may take three years to break even at store level in Malaysia, but at corporate level it depends on how fast the firm can roll out new branches and whether those new outlets will turn profits, given that profit contributions from at least four stores would be required to square overhead costs.

## **1.2 Business Description**

Home Product Center Public Company Limited was established on June 27, 1995 with the initial registered capital of Baht 150 million, being a joint venture between Land and Houses Group, American International Assurance Co., Ltd. and the Sarasin family. The Company was listed in the Stock Exchange of Thailand on October 30, 2001. The Company was established with an objective to operate a retail business in home improvement segment by selling goods and providing complete range of services relating to construction, addition, renovation of buildings, houses, and residence places under the trade name of “HOMEPRO” which is the Company’s trademark.

Rangsit branch is the first branch of the Company operating in September 1996. On May 26, 2005 Market Village Co., Ltd. was incorporated (“Market Village”) being a subsidiary, located at Hua-Hin. The Company holds 99.99% of shares in Market Village. Presently, its registered capital is Baht 5 million. Market Village was formed with objectives to manage leasing space for Home Product Center Public Company Limited and to provide facilities services to lessees. It commenced operation on the project “Hua-Hin Market Village”.

The Company has the goal to become a leader in retail business in home improvement market for the goods of construction, decoration, and refurbishment of houses and residence places together with the provision of complete services as One Stop Shopping to attain highest customer satisfaction. At present the Company has more than 60,000 items of products. In addition, it has established a Training Center to develop the personnel at all levels so that they will have knowledge and ability to provide good services to customers.

In order to achieve the goal, the Company has attempted to reduce the operating expenses and enhance service quality and has developed the information technology system relating to the retail business to be up-dated and efficient. It has established a Distribution Center as distribution center of goods to enhance the efficiency of logistic system. Moreover, it causes the whole system of the inventory management process more efficient. This Distribution Center was formerly located at Pathumthani Province and later, in September 2004, moved to Ayudhdhaya Province where the land is owned by the Company. And, in July 2006, the Company has expanded the Distribution Center which creates larger space in order to support the increase in branches in the future.

Besides the regular format of “HomePro”, the Company also executed its proactive strategy by opening the center for wholesale and retail under the name of “Mega Home” in order to accommodate the demands in building material and household products market. The new business offers full ranges of housing and construction products to satisfy professional builders, contractors and homeowners.

In accordance with the vision to be the leader of home centre business in Thailand and South East Asia as One Stop Shopping, the Company therefore continuously plans to expand its network to take business opportunities to accommodate the growing demands in the market. The expansion emphasizes on covering strategic areas bordering neighbouring Asean Economic Community (AEC) and growth potential areas. The Company plans to further open new outlets with the next milestone of 80 stores within 2016 in both Bangkok and upcountry. These strategies including development of service and selection process to add the variety of

products. At the end of the year 2013, the Company had a total of 64 HomePro stores and 2 Mega Home stores nationwide.

Presently, the Company has two main businesses which are home improvement retailing and space rental service for retail tenant stores. For home improvement retailing, the Company has provided various kinds of related services by giving consultation and useful information for customers to make decision to select the products that mostly match the usage objectives. In addition, the Company has provided “Home Services” that includes 3D system design and HomeCare service which consisting of:

1. Installation Service provides services on installation and moving
2. Maintenance Service provides checking and cleaning of appliances.
3. Home Improvement Service provides home renovation and furnishing.

Furthermore, HomePro also provides services of technician and contractor selection and placement service, products exchange service, as well as arranging demonstration and workshop for customers etc. For space rental business, the Company has arranged for its rental space in some branches to provide the service for retail tenant shops. At the same time, the Company has developed the format of its branches so called “HomePro Village” which operates the business in the form of full service shopping center. Inside the project, in addition to HomePro’s branch, there are areas of shopping center in which most of tenants consist of supermarkets, restaurants, banks, bookstores, and IT shops etc.

### **1.2.1 Subsidiaries Business**

Market Village Co., Ltd. (“Market Village”) was incorporated, on May 26, 2005, located at Hua-Hin, Prachaubkirikhan Province, in which Home Product Center Plc. holds 99.99% of total shares. Presently, its registered capital is Baht 5,000,000. Market Village was formed with objectives to manage rental space for Home Product Center Plc., and to provide utilities services to tenants.

Home Product Center (Malaysia) Sdn. Bhd. was incorporated on July 28, 2011, located at Kuala Lumpur, Malaysia, in which Home Product Center Plc. holds 100% of total shares. Its registered capital is 10,000,000 Malaysia Ringgit. Home

Product Center (Malaysia) Sdn. Bhd. was formed with objective to operate a retail business in home improvement segment in Malaysia. Presently, it is still not yet operational.

Mega Home Center Co., Ltd. was incorporated on July 4, 2012, located at Khlong Luang, Pathum Thani 12120, in which Home Product Center Plc. holds 99.99% of total shares. Its registered capital is Baht 500,000,000. Mega Home Center Co., Ltd. was established with objective to operate a retail and wholesale business in construction and home improvement products. Presently, the Company operates 2 branches which are Rangsit, Pathumthani province and Mea-sod, Tak province.

DC Services Center Co., Ltd. was incorporated on September 4, 2013, located at Wangnoi, Ayutthaya province, in which Home Product Center Plc. holds 99.99% of total shares. Its registered capital is Baht 5,000,000. DC Services Center Co., Ltd. was formed with objective to operate a Warehousing and Distribution.

### **1.3 Industry Overview and Competitive Analysis**

Macro-economic conditions down trend in first half of 2014 and recovered in the second half of 2014.

#### **1.3.1 Investment and Purchasing Power Jeopardized.**

The construction material and home improvement market may not see high growth this year because it depends largely on construction and real estate industry prospects. During first half of 2014, public and private sector construction activity decelerated. Given protracted political uncertainty, budgetary disbursements for government projects have been delayed, particularly for new projects. Private sector projects have also been stalled because business confidence is flagging amid undecided state investment policies. Our economy has not only lost momentum, but is also facing impediments like slowing purchasing power and inflation, thus consumers have slowed buying or investing in the real estate sector.

However, if the National Council for Peace and Order (NCPO) can begin planned megaprojects during second half of 2014, budgetary disbursements should then proceed. The NCPO is working on a comprehensive investment policy, so it can expect a better investor climate later on. Accordingly, private construction companies could then follow through with investment plans that would in turn give the construction material industry a boost. It can also expect buoyancy in the market with the help of two other factors:

1. Growth has been witnessed in construction materials for use in repairs, owing to series of natural disasters during May 2014 that caused damage to buildings, such as an earthquake in Northern Thailand and air-mass thunderstorms which are typical in summer and cause heavy rains. Higher demand for materials used in repair work will likely help break off the downward trend;

2. Sales of construction materials in border provinces and their vicinity have been growing, thanks to urbanization and growth in hardware stores there. Development of Infrastructure and other related facilities within neighborhoods (Cambodia, Lao PDR and Myanmar) has been advantageous to that. Thai products sell well in those nations, so more consumers from there make a trip to Thailand to buy these materials now that transportation has improved.

Apart from the local economic slowdown from concern over higher cost of living, increasing household debt and the delay in infrastructure investment as well as political issues that began since the end of 2013, exports have not fully recovered due to the beginning of economic slowdown in China, which is the main export market due to the Chinese government's policy to tighten economic stimulus package. Even though the United States' economy is likely to recover, the key driver was not due to international trade. The overall purchasing power shows sign of deceleration, while the Private Consumption Index remains at the same level as last year as the public remains cautious on spending due to lower confidence level and higher household debts.

### **1.3.2 The upcoming AEC will benefit Thailand real estate and construction sector.**

Regarding the promotion of the Board of Investment, there should be higher demand for new projects, considering that Thailand is readily equipped with infrastructure, not to mention that we are already host manufacturing production bases for many leading global corporations. The imminent inception of AEC (ASEAN Economic Community) in 2015 will also be advantageous to Thailand. As a member of the AEC, standing to benefit from relevant trade agreements and economic cooperation, Thailand will definitely be one of the star attractions for foreign investors.

Geographically, Thailand is the center of Indochina which stands out from rivals in the eyes of investors. Thailand also have well-developed road networks linked with neighboring states to facilitate international trade, as well as the Greater Mekong Sub-Region Development Project that Thailand also participates in. Development via that project includes construction of linked routes and upgrades of cross-country logistics across the sub-region. Later on, Thailand will probably see more industrial estates in other parts of the country beyond the Eastern region where currently is the prime location. It also in line with trade and investment activity that is increasingly interconnected across the region

### **1.3.3 Industry Analysis: Property Market Slowdown**

Uncertainty political situation and economic downturn impact real estate business. Overshadowed by political turmoil continuing from last year, the property market has not begun 2014 with a great start. Politics have weighed largely on the real estate sector, particularly right now as the situation seems at a low point, leading to decreasing investments and transactions, especially in Bangkok which is being directly affected. The property sector will be facing factors hurting growth such as rising overhead costs. Faced with a number of hindrances (including land prices, wages, and an uptrend in energy costs) developers will find it hard to maintain selling prices or limit increases in them, making effective marketing strategies a very challenging task. Also, the property market in some locales is now saturated with oversupply following mushrooming projects launched while growth momentum was still felt in the market.

These excessive projects triggered soaring land prices and operating costs, thus increasing home prices and lowering affordability. Financial institutions, meanwhile, have become cautious toward home loans as well as lending to property developers, since risks are growing amid economic and political tension. However, amid these many challenges, the 2014 housing market may see some promise with such factor as eased monetary policies. With current economic and political situation, interest rates may remain low, enhancing business opportunities for the property sector. For now, since developers have decided to delay investment plans, risks from oversupply may be reduced to some extent. From the property business indicators report below, it shows that market is slowdown from last year as the new unit launch, new unit with bank loan approval, and new house registered is lower than last year.

**Table 1.2** Property Business Indicators

<b>Property Business Indicators</b>		
	<b>2013</b>	<b>2014</b>
1. Existing unsold units % YoY	143,543 11.3	130,000-140,000 (-9.4) - (-2.5)
2. Ratio of unsold units to units transferred	0.9	1.0
3. Total number of newly launched units % YoY	131,550 28.9	75,500-85,500 (-42.6) - (-35.0)
4. Number of units with bank loan approvals % YoY	71,701 -5.4	68,450-70,250 (-4.5) - (-2.0)
5. Housing completion (registered) % YoY	125,900 0.7	100,500-115,000 (-20.2) - (-8.7)

During 2014, it is believed that the real estate market will be slowed by the aforementioned challenges, reflected in shrinking performance in the above gauges. These softening indicators, nevertheless, are due in part to developers having put on hold plans for further investment. This may adversely affect short-term business, but otherwise will prompt a supply-demand rebalance within the sector, especially in areas where an oversupply jeopardizes consumers' buying decisions. The real estate market is forecast to become vigorous again once the economy starts to perform normally and consumers regain confidence.

#### **1.3.4 Competitive Analysis: Highly competitive in domestic market**

The home improvement industry, which covers everything from hard goods such as construction materials, bath and kitchenware, to electrical appliances

and soft goods, has rapidly grown in recent years, driven primarily by increasing competition across the country. The market is forecasted to expand at an average of 20% a year, while the home furnishing market is expected to grow by 15% a year. Part of the demand stems from new housing and renovation of existing units. HomePro is facing stronger competition from smaller networks in specific segments. The established groups in this segment, includes Siam Global House, HomeWorks, Do Home and Boonthavorn are all aggressively expanding their reach and are banking on sustained growth in the provincial centers.

HomePro has established a leading network of 64 outlets, leveraging the strongest economies of scale in this segment. The Company has long focused on meeting demand in the provinces, with only 21 of its stores located in greater Bangkok and 43 stores in provinces. In the 4th quarter of 2013, the Company executed its proactive strategy by opening 2 “Mega Home” stores and in 2014, HomePro has expanded its 1st store in Malaysia. The company sells roughly 60,000 products, which span the full range of home improvement goods. These strong economies of scale will likely continue to lead the market. Yet, whilst soft goods have led HomePro’s recent organic growth, the firm is facing keener competition in building and construction materials, as well as in home decoration.

In domestic market, HMPRO is the leader in home improvement retailing which offers a full range of complete services. In the past few years, the real estate market seems to be continually expanding which yield to high demand for home improvement products, including the transition of urban society was growth in both Bangkok and Upcountry. Moreover, private investments have increased modestly to engage in Asean Economic Community building efforts which influence commercial real estate markets in all over the country. The Company believes that this business still has plenty of potential and marketing opportunities and that the increase of such business operators will help stimulate consumers’ familiarity and more rapidly change their behavior to purchase products from Modern Trade home centers.

Although the market condition of home improvement retail business is facing heightened competition from newcomers, such competition is concentrated only in the middle-to-lower customer segment. Whereby, the branches of other home improvement brands are concentrated only in some areas, such as Northeastern part



and Central part of Thailand. This means that there is still an ample space in the market for HomePro. In addition, aggregated demand for home improvement products is expected to grow in the long run due to continuous movement of dwellers from rural to urban areas and the change of the life style toward urban living behaviors.

As for competitors, the Company has classified other operators who sell goods in similar nature e.g. construction materials, home improvement and decorative goods, tools and equipment to be used for construction as follow:

- Thai Watsadu & HomeWorks are a retail business unit of construction materials and home improvement by Central Retail Corporation Group of Companies (CRC). It operates in form of warehouse store to sell construction materials, home improvement goods and equipment. Thai Watsadu has currently 35 branches in operations while HomeWorks has currently 7 branches. Thai Watsadu is specializing in construction equipment, and HomeWorks is for home improvement. CRC is joining the rush to the provinces and hopes to catch up with the economies of scale of its competitors in coming years. Individual customers account for some 70% of the group's sales, while contractors make up 25% and wholesale 5%.

- Siam Global House operates the business of selling products in the form of warehouse store. Products include construction materials, decorative goods, tools, equipment to be used for construction. Siam Global House has grown from its original base in the north-eastern province of Roi Et in 1997 to establish a strong presence upcountry. The retailer is an aggressive second in construction materials (which make up about 40% of the company's total sales) and decorating supplies (60%). There are currently 27 branches in operations. Siam Global is quickening its expansion in a bid to reach similar economies of scale as HomePro. It already wholesales 27% to traditional stores, government agencies and contractors, and retails 73% to individual consumers, adopting a similar low-frills approach.

- Do Home operates the business of selling products in the form of warehouse store. Products include construction materials, tools, and equipments to be used for construction. It is managed by Ubonwatsadu Co., Ltd. There are currently 5 branches in operations.

- Boonthavorn is a retail business who focused on selling specific goods e.g. ceramic, sanitary ware, and kitchenware stores.

Apart from local competitors, there is also international competitor from other countries. IKEA's launch in November 2011 will have a marked impact on Bangkok's furniture segment. The store welcomed 1 million customers in its first month alone, and the group intends to open an additional two stores in the capital within the next five years. But in contrast to other markets, IKEA has particularly appealed to bigger spenders thus far. Upon opening in November 2011, it was surprised to see that high-end goods were more popular than the lower segments, which are typically the highest-selling in other countries. With the change in lifestyle of consumer in urban area, the value-driven home furnishing and customization has become popularity among Thais. IKEA concept starts with the idea of providing a range of home furnishing products that are affordable to many people. The selling price of furniture at IKEA is lower than ready-to-use furniture sell at HomePro since customer has to assemble its own furniture.

## **1.4 Investment Summary**

### **1.4.1 Cyclical stock depending on economics trend and real estate industry.**

Thailand's condominium market is expected to recover in the second half, driven by improving consumer confidence. The Consumer Confidence Index ("CCI") in June rose to 75.1%, the highest in 8-month since November 2013, as political uncertainties had been reduced and the economy is set for recovery. The National Council for Peace and Order took control of national administration and as a result consumer confidence had risen in the overall economic and political situation in Thailand which will drive consumption in the second half.

Home improvement retail business had emerged as one of the drivers of growth in retail overall. The expansion in modern trade across Thailand, coupled with a shift in lifestyles towards independent living in the provincial centers, has captured the attention of home improvement retailers. This growth phase for home improvement is likely to sustain strong returns for investors for years to come.

#### **1.4.2 Continue to show healthy growth for same store sales growth.**

New branches of Mega Home and HomePro in Malaysia may trim same store sales growth (“SSSG”), but growth is still healthy and is expect the SSSG to achieve the yearly target of 5% by the end of 2014. Based on actual result of 2nd quarter of 2014, SSSG is grown at 6.5%. HMPRO tends to deliver sustainable sales growth as most HMPRO customers are in the medium-to-high income group seeing a limited impact from the slow economy. Sales growth will also be driven by store expansion. However, expenses are tending to rise at a faster pace than sales growth during the investment period (Mega Home and Malaysia project).

The improving sentiment after the coup has driven consumer spending. However, SSSG in 3rd – 4th quarter of 2014 will tend to slow due to the cannibalization effect from the new branches in the provinces impacting HMPRO branches in Chiang Mai, Phuket and Pattaya. Overall, the company 2014 SSSG target is at 5% and could be achievable.

**1.4.3 New ventures drag down margin.** HomePro’s gross profit margin and EBIT margin declined slightly (1% y-o-y) on lower gross margin on Mega Home Center’s (“MHC”) products, and the pre-operating expenses of MHC and HomePro Malaysia. Management indicated that MHC accounted for 7% of total revenue in second half of 2014 and MHC’s gross profit margin was 10% lower than HomePro’s. It was estimated that MHC and HomePro Malaysia generated a lower ROIC than HomePro Thailand. This factor in start-up losses from new ventures, which expect will be a drag on HomePro’s earnings for the next three years.

**1.4.4 Continue on expansion plan.** The expansion plan remains on target. One store will be added in Chiang Mai in 3rd quarter and 4 stores in last quarter of 2014 in Nakornrachsrma (replacing a closed one in April), Sriracha, Phuket and Pattaya. In 2015, 6-8 new branches will be launched in a smaller format (3,500-5,000 m<sup>2</sup>). The long-term target is 200 stores by 2020 where 71 branches operated by year-end 2014.

**1.4.5 HMPRO corporate governance is high rated.** HMPRO was classified as very good corporate governance by Thai Institute of Directors in 2013. HMPRO does not discriminate between minority and majority shareholders and rightfully uphold equitable treatment to both as owners of the company. HMPRO also conducts a policy to disclose information which is transparent, complete, reliable and timely, through various channels which are easily accessible. The number of independent directors accounts for more than one-third of the Board of Directors, and will be in accordance with the Securities and Exchange Act. The company believes that committing to the principles of good corporate governance and ethics is the right way to run its business and build trust between the shareholders and the company.

## 1.5 Valuation

We appraised HMPRO by using Discounted Cash Flow and Multiple Analysis, we are confident that the most appropriated techniques for HMPRO are the Free Cash Flow to Firm (FCFF), EV/EBITDA the Price/Earnings Ratio (PER). The former incorporate with the long term growth prospects and the concrete cost of debt from its corporate bonds, while the latter two measurements reflect the market valuation of the company.

### 1.5.1 Discounted Cash Flow Model: Free Cash Flow to Firm (“FCFF”)

This method is suitable for HMPRO as the company has the long term and relatively stable debt structure, and it takes in consideration the time value of money. HMPRO has high growth prospects and FCFF properly reflects the free cash flow value of the company. The model also accounted for future growth as well as a long-term perspective. The target price based on this model is Baht 12.13 per share.

Three main components of FCFF are 5-years Projected Cash Flow, discounted rate, and terminal value.

- Moderating growth: 2013 sales and net profit were up 16% and 15% year-on-year, respectively. 2013 same-store sales growth was 3.7%, due to a slowdown of SSSG from 4.1% in September 2013 to 1.3% in December 2013,

partially caused from the impact of political protests. The five-year projected cash flows are stemmed from increasing sales, which is derived from the store expansion and the continuously developed private brand product.

- Steady rise in gross margin: Gross profit exhibits a steady and stable strong fundamental. Gross margin expanded to 26.8% in 2013, from 26% for 2012, as the contribution from private label sales continued to rise. Private label sales accounted for 20.4% of total sales, up from 19.5% in 2012.

- Higher SG&A: EBIT margin declined to 10.4% in 2013, from 10.6% in 2012, primarily due to the 25.5% increase in the national minimum wage in January 2013.

- Terminal value component assumptions: The perpetual growth of 5% is used to calculate enterprise value according to annual 2-3% inflation addition with interest rate. Based on the historical record, we found that HMPRO has stable ROE and Net Profit growth around 20% - 30%. However, since it is retails business which dependent to the economic condition, thus growth rate from company's historical record is too high for FCFF calculation.

- Weighted average cost of capital is calculated using CAPM model, with the 10-year government bond yield risk-free rate of 3.62% as of September 1st, 2014, the expected risk premium of 7.40% which adjusted by multiply country default spread (1.6%) with relative emerging market volatility average of 1.5 plus 5% for premium of mature market, and the adjusted beta of 1.2479 to reflect the Weight Average Cost of Capital of 9.24%. The raw data was extracted from Reuters and Bloomberg, except the risk premium which we extracted from Professor Aswath Damodaran's research paper since risk premium from Bloomberg was too high and Professor Aswath Damodaran's research was more solid.

- Capital investment is provided by the company with concredited plan. In 2013, HomePro opened 11 new HomePro stores and two Mega Home stores. As of December 2013, there are 64 HomePro stores (33% in Greater Bangkok, 67% upcountry) and two Mega Home stores (one in Greater Bangkok, one upcountry). In 2014, HomePro plan to open eight HomePro stores, two Mega Home stores, and its first HomePro in Malaysia. The Company normally raise fund through its unsecure debenture which had affirms a rate of A+ from TRIS, credit rating company.

## 1.5.2 Value of the Company using other method

1.5.2.1 Price/Earnings Ratio (“PER”): From the short-term point of view, the PER accounted for the market valuation during macroeconomics uncertainty. As of 30 June 2014, the COMM P/E was 34.35 times. Trailing P/E is used to find the P/E ratio of the Company. With the past 12-month earnings and price as of September 1st, 2014, P/E ratio of HomePro is 31.54 times. Then, we used the COMM P/E to calculate the eventual price. With this method, we arrived at the final price of HMPRO at Baht 11.76 per share.

1.5.2.2 EV/EBITDA (Enterprise Value / EBITDA) ratio is a popular valuation multiple used in the finance industry to measure the value of a company. Using the 12-month EV/EBITDA of the peer group from Bloomberg at 21.6 together with HMPRO’s Baht 5,784 million EBITDA, the enterprise value of Baht 129,934 million is obtained. After calculation, we reach the final target price of Baht 13.03 per share.

Based on the above two method of multiple calculation, assigned 50% weight each for both PER and EV/EBITDA model as they both widely accepted by academic and financial personnel, the target price based on multiple analyses is Baht 12.40 per share.

Under the current bearish economic outlook and intense domestic political situation, the valuation based on the fundamental tends to be more meaningful and more relevant than the one based on the market sentiment. Moreover, FCF model is more widely used by institutional shareholders who are long-term oriented.

The Company’s intrinsic value plus the long-term growth potential, the fair price for HMPRO is Baht 12.13 per share. Comparing to the current price of Baht 10.80 per share, there was a room for potential profit that we should buy this equity.

## 1.6 Additional Downside Possibility

**1.6.1 Fail to open new store as planned.** There is a downside risk to earnings forecast if HMPRO fails to open new stores as per its schedule, the rise in private brand sales is slower than currently assume, and if Mega Home and Malaysia

sales are below than expectation. Moreover, growth could be hindered if competitors become more aggressive in store expansions than we presently expect.

**1.6.2 Economic slowdown and a property market downturn.** Consumer Confidence Index and private investment slowed down amidst many negative pressures on domestic consumption, such as concerns over rising living expenses, household debt upsurge, delayed in the government's infrastructures investment, and increased tension on political situations beginning in end of the year. Due to the prolonged political disturbances in the first 5 months of 2014, Thai economy thus experienced a contraction in the first half of 2014. In the latter half, it is expected that the Thai economy will grow at a faster pace, supported by the improved confidence and the return of government administration and budget disbursement to normal process. However, the economy is likely to perform below its full potential due to the constraints on investment growth caused by the low capacity utilization and the slow progress in investment promotion approval in the first half of 2014. Moreover, investors are not confident with the uncertainty situation so they postpone their investment.

## **1.7 Investment Risk**

### **1.7.1 Political instability.**

Thailand has been considered as a country with fragile political systems. The protest and political instability keep threaten the performance of financial market and the attractiveness of investor. Up till now, the country is able to find a resolution for the past turmoil, however, the future political situation remains unknown with no concredited proof for possible stability. These instability events could cause a postponement or a reduction of investment project in Thailand.

### **1.7.2 Risk from major shareholders held paid-up capital more than 25%.**

As at June 30, 2014, Land and Houses Plc. held 3,313,232,027 shares or 30.23% of the Company's paid-up capital which makes Land and Houses Plc. can

control any resolution unless the resolutions which legally require more than three-fourths voting from the shareholders' meeting.

### **1.7.3 Capital outflow is projected in the near term.**

Since the global financial crisis, emerging markets are experienced continuing growth on the equity market as capital inflow from Western countries. However, the developed economics have been optimistic on the economic recovery and the Federal Reserve has been considering on the quantitative easing (QE) tapering, those factors will lead the capital outflow in the near term.

## **1.8 Operational Risk**

There was huge loan and debenture due on 2015-2016. The Company has Baht 2,100 million of long-term bank debt, with the purpose to invest. Its principles and interests will be repaid from 2012 to 2016. The Company also issued debentures for domestic sales for Baht 6,300 million, the principle being repaid between 2013 and 2016. According to the agreement between the Company and the debtor financial institution, the Company is obliged to maintain its D/E ratio of no more than 1.75 times for the debenture issued before 2013 and 2.5 times for the debenture issuing since 2013. The Company might face the risk of breaching the covenant regarding its D/E ratio goes beyond the threshold level. This may disrupt the Company's financial liquidity and financial status accordingly.



## CHAPTER II DATA

### 2.1 Company’s Information

#### 2.1.1 Business Structure

The Structure of Business Group



**Figure 2.1** HomePro’s subsidiaries

Source: Company’s website

## 2.1.2 Income Statement

**Table 2.1** 5-year Income Statement and Forecast

	Unit: Million Baht									
<b>Income Statement</b>	<b>2009A</b>	<b>2010A</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
<b>Revenue</b>										
Sale income	20,329	24,073	28,363	34,542	40,112	46,380	53,901	58,915	63,929	68,943
Rental and service income	684	768	813	893	999	1,103	1,218	1,344	1,484	1,638
Other income	786	1,074	1,326	1,534	1,720	2,080	2,296	2,534	2,798	3,089
<b>Total revenue</b>	<b>21,799</b>	<b>25,915</b>	<b>30,502</b>	<b>36,969</b>	<b>42,831</b>	<b>49,562</b>	<b>57,414</b>	<b>62,793</b>	<b>68,210</b>	<b>73,669</b>
<b>Expenses</b>										
Cost of sales	15,395	18,052	21,074	25,559	29,346	34,522	40,121	43,853	47,585	51,317
Selling expenses	3,819	4,494	5,386	6,791	8,095	8,931	10,380	11,345	12,311	13,276
Administrative expenses	781	916	920	965	1,206	1,548	1,799	1,967	2,134	2,301
Other expenses	62	47	79	25	49	49	54	60	66	73
<b>Total expenses</b>	<b>20,057</b>	<b>23,509</b>	<b>27,459</b>	<b>33,340</b>	<b>38,696</b>	<b>45,051</b>	<b>52,354</b>	<b>57,224</b>	<b>62,096</b>	<b>66,968</b>
<b>EBIT</b>	<b>1,742</b>	<b>2,406</b>	<b>3,043</b>	<b>3,629</b>	<b>4,135</b>	<b>4,511</b>	<b>5,060</b>	<b>5,569</b>	<b>6,115</b>	<b>6,702</b>
Financial cost	113	103	118	146	277	276	276	276	276	276
<b>EBT</b>	<b>1,629</b>	<b>2,303</b>	<b>2,925</b>	<b>3,483</b>	<b>3,858</b>	<b>4,235</b>	<b>4,784</b>	<b>5,292</b>	<b>5,838</b>	<b>6,426</b>
Tax expenses	498	664	921	812	789	847	957	1,058	1,168	1,285
<b>Net profit</b>	<b>1,131</b>	<b>1,639</b>	<b>2,004</b>	<b>2,671</b>	<b>3,069</b>	<b>3,388</b>	<b>3,827</b>	<b>4,234</b>	<b>4,671</b>	<b>5,140</b>

Source: Company's Annual Report and Team's Forecast



## 2.1.3 Statement of Financial Position

**Table 2.2** 5-year Statement of Financial Position and Forecast

	Unit: Million Baht									
Balance Sheet	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
<b>Assets</b>										
<b>Current assets</b>										
Cash and cash equivalents	846	1,417	1,978	1,291	808	52	883	2,917	5,413	8,440
Trade and other receivables	145	164	986	1,252	1,411	1,455	1,500	1,547	1,596	1,645
Short-term loan to related party	-	-	-	-	-	-	-	-	-	-
Inventories	2,905	3,714	4,382	5,353	6,506	7,254	8,088	9,018	10,056	11,212
Value added tax receivable	1	28	-	64	178	178	178	178	178	178
Other current assets	411	565	108	172	319	319	319	319	319	319
<b>Total current assets</b>	<b>4,308</b>	<b>5,888</b>	<b>7,454</b>	<b>8,132</b>	<b>9,222</b>	<b>9,258</b>	<b>10,969</b>	<b>13,980</b>	<b>17,561</b>	<b>21,794</b>
<b>Non-current assets</b>										
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	1,096	1,376	1,553	1,553	1,553	1,553	1,553	1,553
Property, plant and equipments	8,711	9,673	10,812	14,846	23,235	26,865	31,222	34,126	37,031	39,935
Computer software	92	130	190	190	242	280	325	355	386	416
Leasehold rights	703	831	1,059	1,181	1,532	1,532	1,532	1,532	1,532	1,532
Property foreclosed	4	4	3	3	3	3	3	3	3	3
Rental guarantee deposits	38	47	52	60	55	55	55	55	55	55
Deferred tax assets	-	-	81	67	87	87	87	87	87	87
Other non-current assets	17	16	11	13	15	17	19	21	23	26
<b>Total non-current assets</b>	<b>9,565</b>	<b>10,701</b>	<b>13,304</b>	<b>17,736</b>	<b>26,722</b>	<b>30,392</b>	<b>34,796</b>	<b>37,733</b>	<b>40,670</b>	<b>43,607</b>
<b>Total assets</b>	<b>13,873</b>	<b>16,589</b>	<b>20,758</b>	<b>25,868</b>	<b>35,944</b>	<b>39,650</b>	<b>45,765</b>	<b>51,713</b>	<b>58,230</b>	<b>65,401</b>
<b>Liabilities and shareholders' equity</b>										
<b>Current liabilities</b>										
Short-term loans from financial institutions	-	-	-	-	1,360	1,360	1,360	1,360	1,360	1,360
Trade and other payables	4,217	4,937	7,291	8,091	11,057	10,955	12,732	13,916	15,101	16,285
Current portion of liabilities under financial lease agree	4	5	4	6	8	8	8	8	8	8
Short-term loan from related party	-	-	-	-	-	-	-	-	-	-
Current portion of long-term loans	486	-	-	300	500	500	500	500	500	500
Current portion of debentures	160	730	300	1,700	-	-	-	-	-	-
Income tax payable	247	313	438	362	327	390	441	488	538	592
Value added tax payable	-	-	42	1	1	-	-	-	-	-
Advances received from customers	431	471	769	721	709	820	953	1,041	1,130	1,219
Other current liabilities	904	1,178	272	406	370	375	380	385	390	395
<b>Total current liabilities</b>	<b>6,449</b>	<b>7,634</b>	<b>9,116</b>	<b>11,587</b>	<b>14,332</b>	<b>14,408</b>	<b>16,373</b>	<b>17,698</b>	<b>19,027</b>	<b>20,359</b>
<b>Non-current liabilities</b>										
Liabilities under financial lease agreements	-	-	-	-	-	-	-	-	-	-
- net of current portion	6	7	8	17	19	19	19	19	19	19
Long-term loans - net of current portion	494	-	-	1,200	1,600	1,600	1,600	1,600	1,600	1,600
Debentures - net of current portion	1,030	2,000	2,700	2,300	6,300	6,300	6,300	6,300	6,300	6,300
Provision for long-term employee benefits	63	77	91	81	92	92	92	92	92	92
Rental received in advance - net of current portion	521	499	478	457	435	503	585	639	693	748
Other non-current liabilities	100	136	163	299	449	623	864	1,199	1,663	2,307
<b>Total non-current liabilities</b>	<b>2,214</b>	<b>2,719</b>	<b>3,440</b>	<b>4,354</b>	<b>8,895</b>	<b>9,137</b>	<b>9,460</b>	<b>9,849</b>	<b>10,367</b>	<b>11,065</b>
<b>Total liabilities</b>	<b>8,663</b>	<b>10,353</b>	<b>12,556</b>	<b>15,941</b>	<b>23,227</b>	<b>23,545</b>	<b>25,833</b>	<b>27,547</b>	<b>29,394</b>	<b>31,425</b>
<b>Shareholders' equity</b>										
Share capital	-	-	-	-	-	-	-	-	-	-
Registered share capital	3,794	4,426	5,881	7,055	9,590	9,590	9,590	9,590	9,590	9,590
Issued and fully paid-up	3,704	4,352	5,836	7,041	9,590	9,590	9,590	9,590	9,590	9,590
Share premium	594	621	636	646	646	646	646	646	646	646
Retained earnings	-	-	-	-	-	-	-	-	-	-
Appropriated	-	-	-	-	-	-	-	-	-	-
Statutory reserve - The Company	235	316	418	551	707	707	707	707	707	707
Statutory reserve - Subsidiaries	-	-	1	1	1	1	1	1	1	1
Unappropriated	676	946	1,311	1,688	1,773	5,161	8,988	13,222	17,892	23,033
Other components of shareholders' equity	-	-	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Equity attributable to owners of the Company	5,209	6,235	8,201	9,926	12,716	16,104	19,931	24,165	28,835	33,976
Non-controlling interests of the subsidiaries	1	1	1	1	1	1	1	1	1	1
<b>Total shareholders' equity</b>	<b>5,210</b>	<b>6,236</b>	<b>8,202</b>	<b>9,927</b>	<b>12,717</b>	<b>16,105</b>	<b>19,932</b>	<b>24,166</b>	<b>28,836</b>	<b>33,977</b>
<b>Total liabilities and shareholders' equity</b>	<b>13,873</b>	<b>16,589</b>	<b>20,758</b>	<b>25,868</b>	<b>35,944</b>	<b>39,650</b>	<b>45,765</b>	<b>51,713</b>	<b>58,230</b>	<b>65,401</b>

Source: Company's Annual Report and Team's Forecast

## 2.1.4 Statement of Cash Flow

**Table 2.3** 5-year Statement of Cash Flow and Forecast

	Unit: Million Baht									
Statement of Cash Flow (Million THB)	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
<b>Cash flow from operating activities</b>										
Net income	1,629	2,303	2,925	3,483	3,858	4,235	4,784	5,292	5,838	6,426
Depreciation and Amortization	805	860	1,031	1,249	1,649	2,260	2,627	2,871	3,115	3,360
Change in NOWC	548	120	757	(423)	740	(437)	1,391	630	521	400
Change in non-current liabilities	4	38	27	11	9	174	241	335	464	644
Interest paid	(110)	(95)	(113)	(132)	(221)	(276)	(276)	(276)	(276)	(276)
Income tax paid	(422)	(601)	(797)	(879)	(843)	(784)	(906)	(1,012)	(1,117)	(1,231)
<b>Total cash from operations</b>	<b>2,454</b>	<b>2,625</b>	<b>3,830</b>	<b>3,309</b>	<b>5,192</b>	<b>5,172</b>	<b>7,860</b>	<b>7,840</b>	<b>8,545</b>	<b>9,322</b>
<b>Cash from investing activities</b>										
Increase in capital expenditure	(868)	(1,788)	(3,067)	(5,353)	(9,186)	(3,630)	(4,357)	(2,904)	(2,904)	(2,904)
Intangible and other assets	(33)	(218)	(351)	(189)	(474)	(38)	(45)	(30)	(30)	(30)
<b>Total cash from investing activities</b>	<b>(901)</b>	<b>(2,006)</b>	<b>(3,418)</b>	<b>(5,542)</b>	<b>(9,660)</b>	<b>(3,668)</b>	<b>(4,402)</b>	<b>(2,935)</b>	<b>(2,935)</b>	<b>(2,935)</b>
<b>Cash from financing activities</b>										
Dividend paid	(871)	(665)	(165)	(1,006)	(284)	(2,260)	(2,627)	(2,871)	(3,115)	(3,360)
Other financing activities	(440)	617	314	2,552	4,269	-	-	-	-	-
<b>Total cash from financing activities</b>	<b>(1,311)</b>	<b>(48)</b>	<b>149</b>	<b>1,546</b>	<b>3,985</b>	<b>(2,260)</b>	<b>(2,627)</b>	<b>(2,871)</b>	<b>(3,115)</b>	<b>(3,360)</b>
Net change in cash	242	571	561	(687)	(483)	(756)	831	2,034	2,495	3,028
Beginning cash balance	604	846	1,417	1,978	1,291	808	52	883	2,917	5,413
Ending cash balance	846	1,417	1,978	1,291	808	52	883	2,917	5,413	8,440

Source: Company's Annual Report and Team's Forecast

## 2.1.5 Key Financial Ratio

**Table 2.4** Key Financial Ratio

Key Financial Ratio	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
<b>Liquidity Ratio</b>										
Current Ratio (x)	0.67	0.77	0.82	0.70	0.64	0.64	0.67	0.79	0.92	1.07
Quick Ratio (x)	0.15	0.21	0.33	0.22	0.15	0.10	0.15	0.25	0.37	0.50
Cash Ratio (x)	0.13	0.19	0.22	0.11	0.06	0.00	0.05	0.16	0.28	0.41
<b>Efficiency Ratio</b>										
Total Asset Turnover (x)	1.49	1.58	1.52	1.48	1.30	1.17	1.26	1.21	1.16	1.12
Fixed Asset Turnover (x)	2.35	2.62	2.77	2.69	2.11	0.93	1.86	1.80	1.80	1.79
Acc Receivable Turnover (x)	145.21	155.81	49.33	30.87	30.13	16.18	36.47	38.66	40.68	42.54
Collection Period (days)	3	2	7	12	12	23	10	9	9	9
Inventory Turnover (x)	5.47	5.45	5.21	5.25	4.95	2.51	5.23	5.13	4.99	4.83
Days in Inventory (days)	67	67	70	70	74	145	70	71	73	76
Payables Turnover (x)	3.94	4.12	3.56	3.45	3.19	1.60	3.46	3.36	3.35	3.34
Payables Period (days)	93	89	103	106	115	228	106	109	109	109
Cash Conversion Cycle (days)	-23.46	-19.32	-25.13	-24.48	-28.71	-59.76	-25.76	-27.96	-26.79	-24.95
<b>Profitability Ratio</b>										
Gross Profit Margin (%)	29.38%	30.34%	30.91%	30.86%	31.48%	30.34%	30.12%	30.16%	30.24%	30.34%
EBIT Margin (%)	7.99%	9.28%	9.98%	9.82%	9.65%	9.10%	8.81%	8.87%	8.96%	9.10%
EBITDA Margin (%)	12%	13%	13%	13%	14%	14%	13%	13%	14%	14%
Net Profit Margin (%)	5.19%	6.32%	6.57%	7.22%	7.17%	6.84%	6.67%	6.74%	6.85%	6.98%
ROA (%)	9%	11%	11%	12%	11%	5%	9%	9%	9%	9%
ROE (%)	21.71%	26.28%	24.43%	26.91%	24.13%	21.04%	19.20%	17.52%	16.20%	15.13%
SG&A/Sale	23%	22%	22%	22%	23%	23%	23%	23%	23%	23%
<b>Solvency Ratio</b>										
Debt Ratio (%)	62.45%	62.41%	60.49%	61.62%	64.62%	59.38%	56.45%	53.27%	50.48%	48.05%
Debt to Equity Ratio (x)	1.66	1.66	1.53	1.61	1.83	1.46	1.30	1.14	1.02	0.92
Equity Multiply (x)	2.66	2.66	2.53	2.61	2.83	2.46	2.30	2.14	2.02	1.92
Long Term Debt Ratio (%)	16%	16%	17%	17%	25%	23%	21%	19%	18%	17%
Interest Coverage Ratio (x)	15.42	23.36	25.79	24.86	14.93	16.33	18.32	20.16	22.14	24.26

Source: Company's Annual Report and Team's Forecast

### 2.1.6 Current Construction Plan

#### Greater Bangkok Stores

- Homepro 21 Stores
- Mega Home 1 Store

#### Upcountry Stores

- Homepro 43 Stores
- Mega Home 1 Store

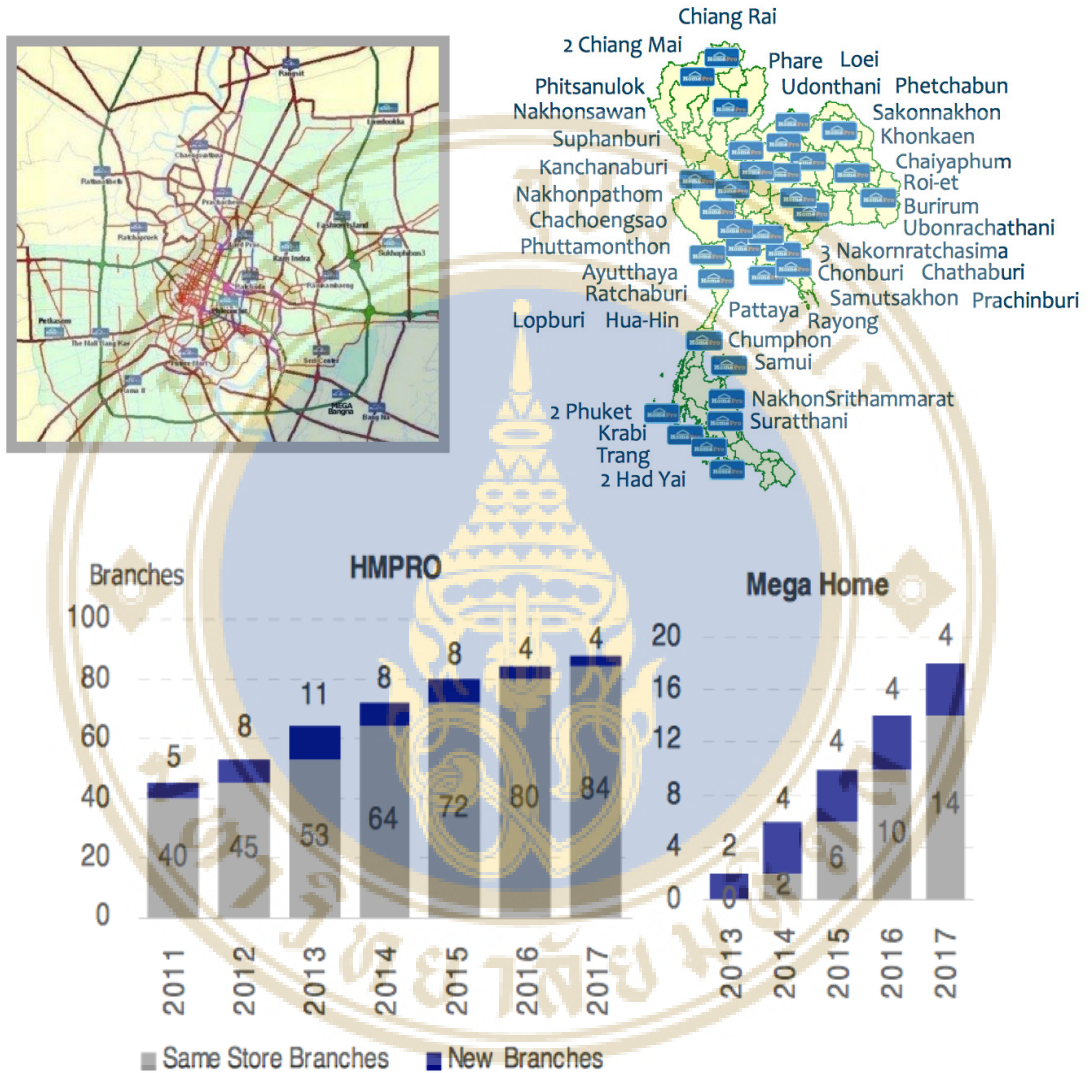


Figure 2.2 HomePro’s Construction Plan

Source: Company’s website

### 2.1.7 Free Cash Flow to Firm Model and Assumption

Weight Average Cost of Capital: the WACC component is extracted from Bloomberg data, with only the country risk premium, estimated according to the researches of Professor Aswath Damodaran<sup>1</sup>

**Table 2.5** Free Cash Flow to Firm Calculation

Unit: Million Baht					
Free Cash Flow to Firm	2014F	2015F	2016F	2017F	2018F
EBIT	4,511	5,060	5,569	6,115	6,702
Tax on EBIT	(902)	(1,012)	(1,114)	(1,223)	(1,340)
NOPAT (Net operation profit after taxes)	3,609	4,048	4,455	4,892	5,361
Add: Depreciation	2,260	2,627	2,871	3,115	3,360
+/- Change in net working capital	(40)	(254)	1,686	2,252	2,901
+/- Investment in gross fixed asset	(3,630)	(4,357)	(2,904)	(2,904)	(2,904)
Free cash flow to firm	2,198	2,064	6,108	7,355	8,718
Terminal value of firm					172,589
Net cash flow	2,198	2,064	6,108	7,355	181,308
Enterprise value	124,244				
Value of debt	7,900				
Value of equity	116,344				
Share price (THB)	12.13				
Discount rate	10.30%	Please see assumption used in WACC table			
Growth	5.00%	Based on retails business growth and economics situation			

**Table 2.6** WACC Assumption

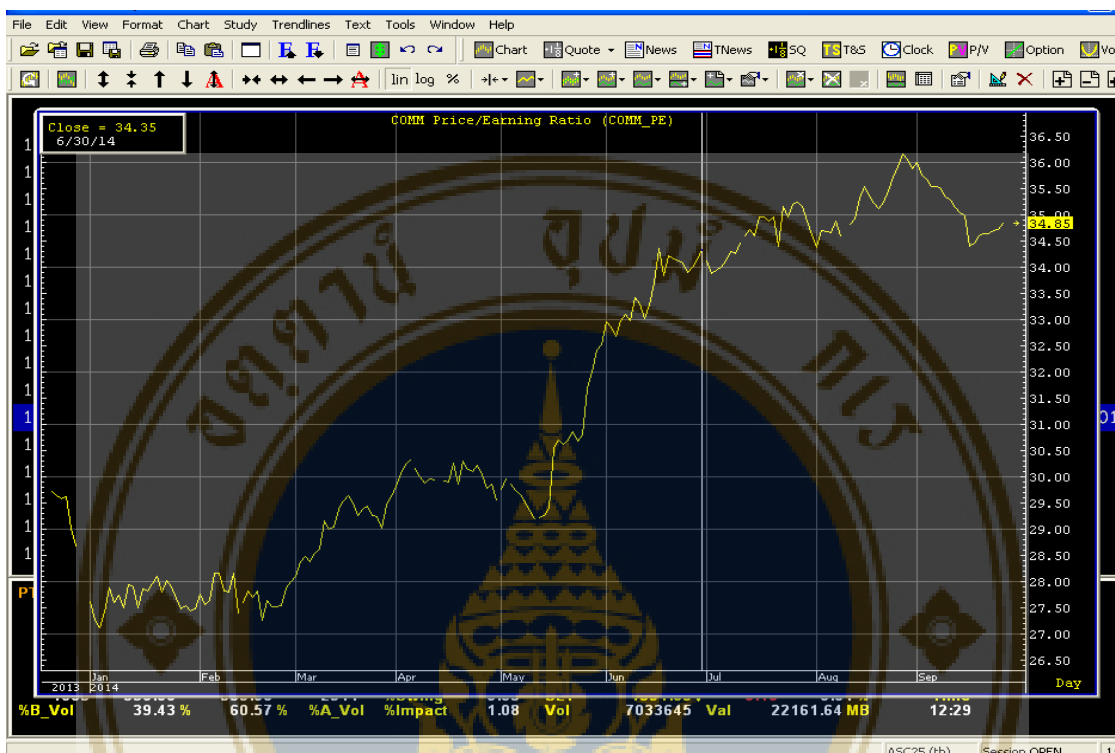
Weight Average Cost of Capital		
Risk-free rate (Rf)	3.62%	10-year Government Bond (Source: Thai BMA)
Risk premium (Rm - Rf)	7.40%	Based on Moody's rating and adjusted by the relative equity market volatility (Source: Damodaran)
Adjusted Beta (b)	1.2479	Based on Bloomberg raw beta of 1.37 times 0.67 plus 0.33 time 1
CAPM (Ks)	12.85%	
Risk-free rate (Rf)	3.62%	10-year Government Bond (Source: Thai BMA)
Country default spread	1.60%	Based on Moody's rating and adjusted by the relative equity market volatility (Source: Damodaran)
Company Default spread (A+)	3.79%	Tris rating and Thai BMA for 4 years bond (Debenture term of the Company is normally 3-4 years)
Cost of debt (Kd)	9.01%	
Value of debt (Million Baht)	7,900	Long-term debt as of December 31, 2013
Value of equity (Million Baht)	9,590	Equity as of December 31, 2013
Weight of Debt (Wd)	45.17%	Market value of long-term debt
Weight of Equity (We)	54.83%	Market value of the equity
WACC	10.30%	

We decided to use the Equity risk premium based on Professor Aswath Damodaran's estimation because we believe that the market risk premium of 7.10% applied by Bloomberg is quite low for Thai Equity Market during the uncertainty economic situation. However, Professor Aswath's estimation has much stronger mathematical proved and more valid in our point of view.

<sup>1</sup> Aswath Damodaran is a Professor of Finance at the Stern School of Business at New York University. He is best known as author of several widely used academic and practitioner texts on Valuation, Corporate Finance, and Investment Management.

### 2.1.8 P/E Commerce

P/E Commerce group as of June 30th, 2014 was 34.35 times. Trailing P/E calculation for HMPRO as of September 1st, 2014 is 31.54 times based on the historical 12-months earnings (last 4 quarter from June 30<sup>th</sup>, 2014).



**Figure 2.3** P/E Ratio of Commerce Group as of June 30<sup>th</sup>, 2014

Source: ASPEN

**Table 2.7** Latest 12-month of HomePro's Earnings

	Earning Q2'14	Earning Q1'14	Earning Q4'13	Earning Q3'13	12-mth Earnings
Net Profit (Million Baht)	792,209	725,825	926,345	720,176	
No. of share (share)	9,589,848	9,589,848	9,589,848	8,228,194	
Earnings per share	0.08	0.08	0.10	0.09	0.34

**Table 2.8** Price to Earnings Ratio Calculation

P/E Ratio		
Price as of 1 Sep 2014 (Baht)	a	10.80
EPS of last 4 quarter Q3'13 - Q2'14 (Baht)	b	0.34
P/E HMPRO as of 1 Sep 2014 (time)	c = a / b	31.54
P/E commerce group (time)	d	34.35
Share price (Baht)	e = b x d	11.76

### 2.1.9 Debenture Information

As of June 30<sup>th</sup>, 2014, there are 3 unsubordinated and unsecured debentures outstanding with total value of Baht 6,300 million.

1. The Unsubordinated and Unsecured Debentures No. 1/2011 due 2015.

Principal outstanding: Baht 1,000 million  
 Issued date: 15 September 2011  
 Term: 4 years, start from date of issuance  
 Interest rate: 4.60% p.a.  
 Interest payment schedule: Quarterly  
 Principal repayment: 15<sup>th</sup> September 2015  
 Covenants: Maintenance of debt to equity ratio, restriction on dividend payment, disposal and transfer of assets.

2. The Unsubordinated and Unsecured Debentures No. 1/2012 due 2015.

Principal outstanding: Baht 1,300 million  
 Issued date: 14 September 2012  
 Term: 3 years, start from date of issuance  
 Interest rate: 3.85% p.a.  
 Interest payment schedule: Semi-annually  
 Principal repayment: 14<sup>th</sup> September 2015  
 Covenants: Maintenance of debt to equity ratio, restriction on dividend payment, disposal and transfer of assets.

3. The Unsubordinated and Unsecured Debentures No. 1/2013 due 2016.

Principal outstanding: Baht 4,000 million  
 Issued date: 18 September 2013  
 Term: 3 years, start from date of issuance  
 Interest rate: 4.05% p.a.  
 Interest payment schedule: Semi-annually  
 Principal repayment: 18<sup>th</sup> September 2016  
 Covenants: Maintenance of debt to equity ratio, restriction on dividend payment, disposal and transfer of assets.



### 2.1.10 Corporate Governance and Corporate Responsibility

Corporate governance of the Company was classified as “Very Good” by Organization for Economic Co-operation and Development (OECD) Principles of Corporate Governance - Thai Institute of Directors (IOD).

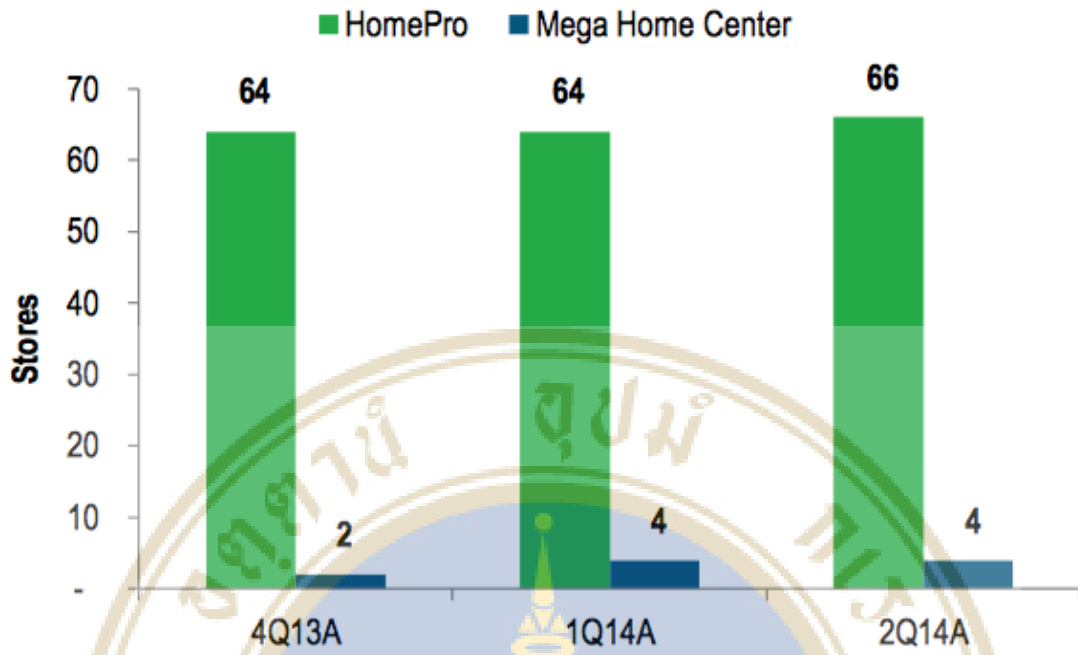
**Table 2.9** Weight of Corporate Governance Scoring

Criteria
Shareholders' rights (20%)
Equitable treatment of shareholders (15%)
Role of shareholders (20%)
Disclosure and transparency (20%)
Board responsibilities (25%)
<b>Total weight 100%</b>

**Table 2.10** HomePro's Corporate Governance Rating of 2013

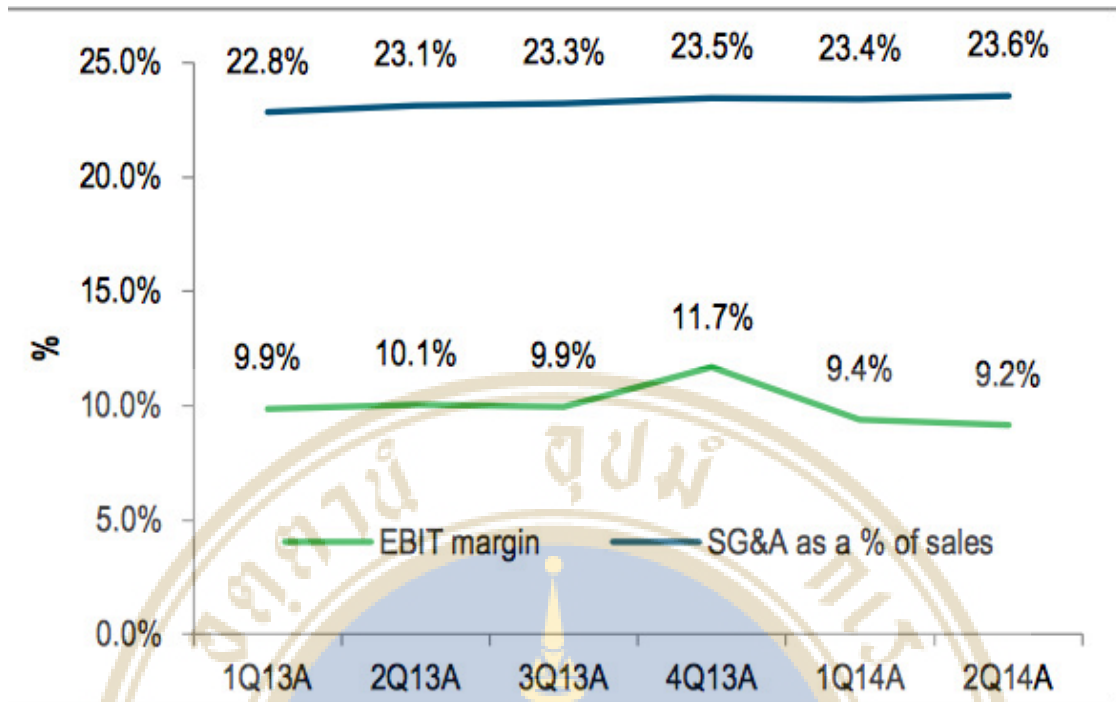
Score Range	Description
Less than 50	N/A
50 - 59	Pass
60 - 69	Satisfactory
70 - 79	Good
<b>80 - 89</b>	<b>Very Good</b>
90 - 100	Excellent

Source: Thai Institute of Directors



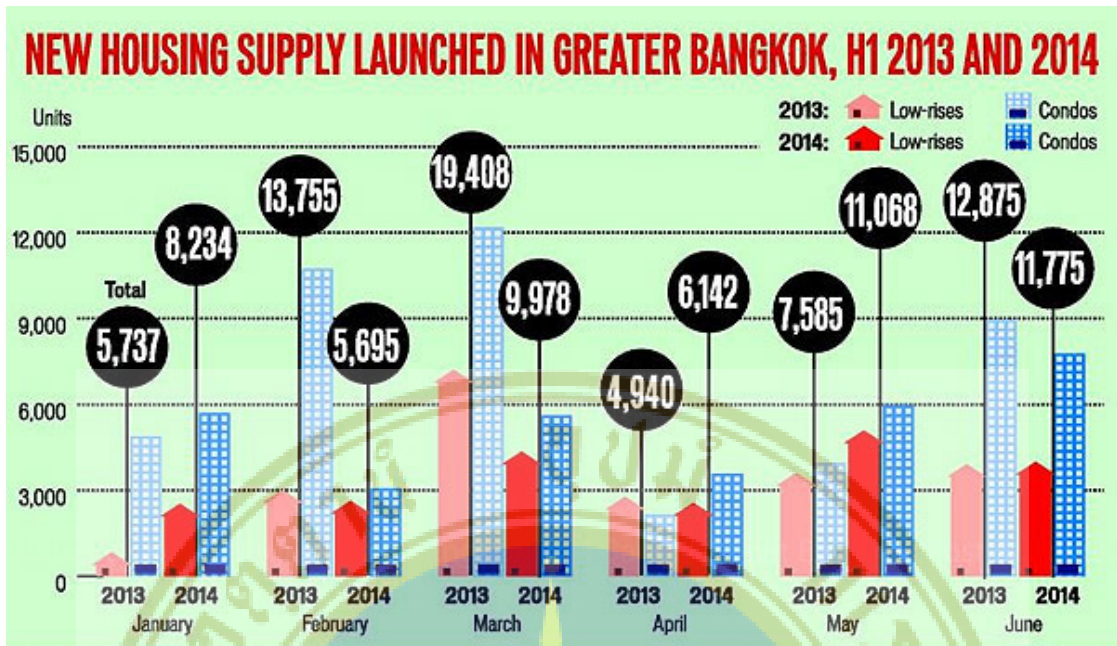
**Figure 2.4** Quarterly Store Expansion

Source: Company's website



**Figure 2.5** Selling & Administrative Expense as Percentage to Sales and EBIT margin

Source: Company's website



**Figure 2.6** New Housing Launched in 2014

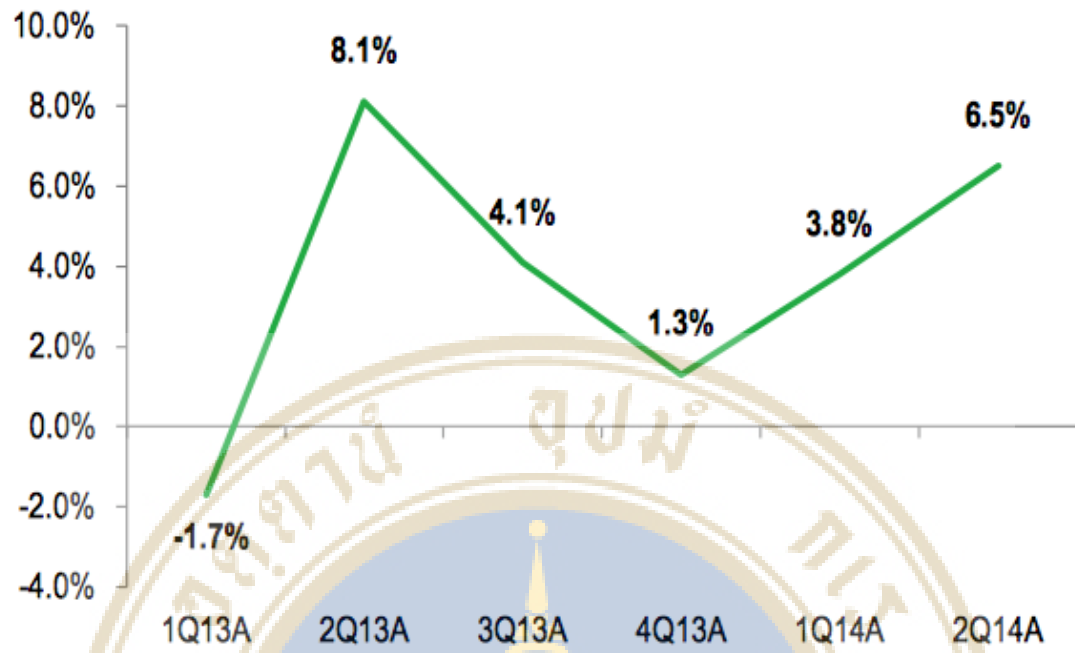
Source: Real Estate Information Center





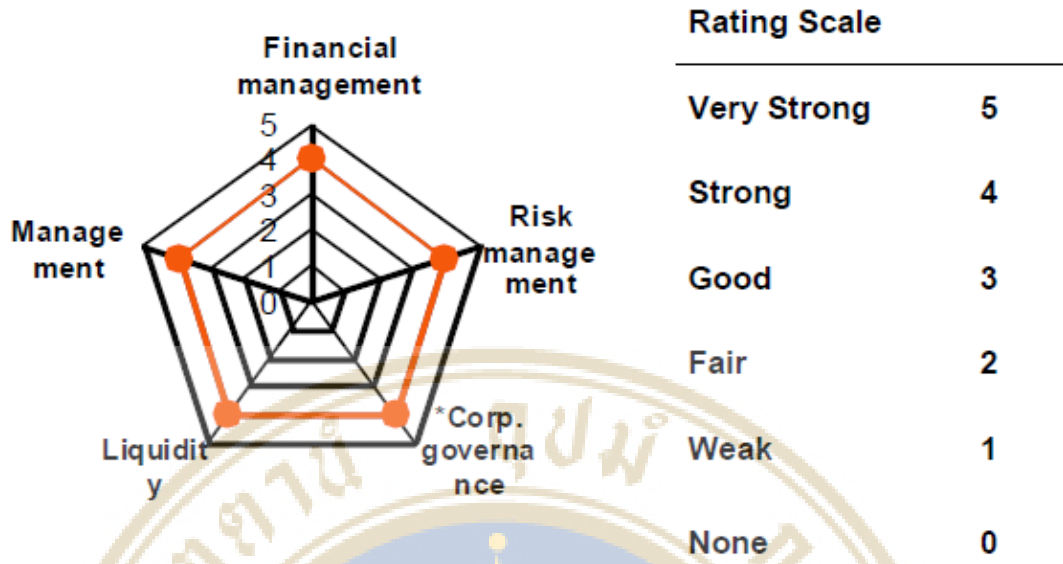
**Figure 2.7** Market Positioning of HomePro

Source: Company's website



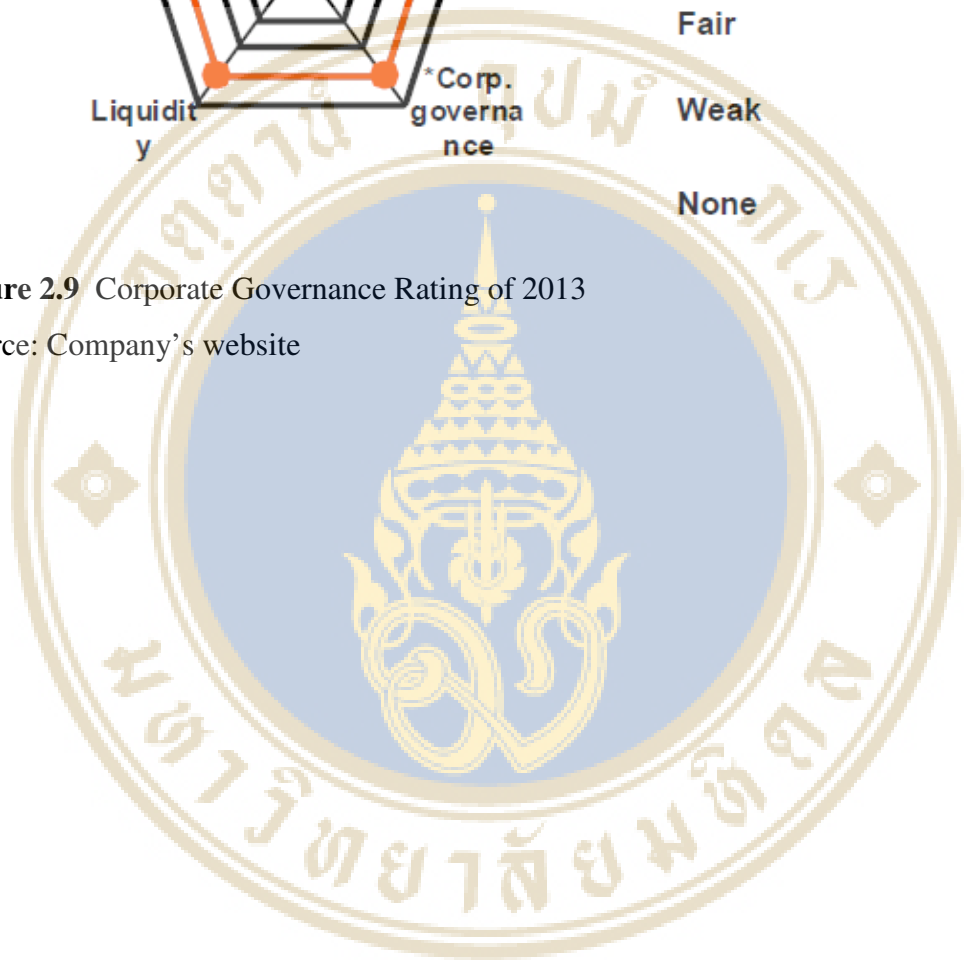
**Figure 2.8** Quarterly Same Store Sales Growth (“SSSG”)

Source: Company’s website



**Figure 2.9** Corporate Governance Rating of 2013

Source: Company's website



## REFERENCES

- Zvi Bodie, Alex Kane, Alan J. Marcus. (2011). *Investment and Portfolio Management* (9<sup>th</sup> ed.). Singapore: McGraw-Hill.
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