

Aurora Design PCL

AURA TB Outperform

Target Price	Bt	20.26
Price (19/10/2023)	Bt	17.20
Upside	%	17.79
Valuation	PER and DCF	
Sector	Fashion	
Market Cap	Btm	22,945
30-day avg turnover	Btm	42.90
No. of shares on issue	m	1,334
CG Scoring (IOD-Y2022)	N/A	
Anti-Corruption Indicator	N/A	

Investment fundamentals

Year end Dec 31	2022A	2023E	2024E	2025E
Company Financials				
Revenue (Btrmn)	29,581	33,856	40,980	48,555
Core profit (Btrmn)	728	927	1,166	1,376
Net profit (Btrmn)	709	927	1,166	1,376
Net EPS (Bt)	0.53	0.69	0.87	1.03
DPS (Bt)	1.30	0.35	0.44	0.52
BVPS (Bt)	3.70	3.89	4.37	4.94
Net EPS growth (%)	-99.02	30.70	25.77	17.99
ROA (%)	6.80	7.38	7.71	7.96
ROE (%)	19.34	18.31	21.15	22.15
Net D/E (x)	0.74	0.89	0.95	1.01
Valuation				
P/E (x)	32.91	24.75	19.68	16.68
P/BV (x)	4.73	4.42	3.93	3.48
EV/EBITDA (x)	18.79	16.76	14.53	13.21
Dividend yield (%)	7.46	2.02	2.54	3.00

AURA TB rel SET performance


Source: LSEG, KS (All figures in THB unless noted.)

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Kasikorn Securities Public Company Limited

Mixed effect from upswing in gold prices

- ▶ **Expect 3Q23 core profit to come in at Bt144mn (+9.1% YoY, -26.3% QoQ) and 9M23 core profit to represent 65.2% of our 2023 forecast.**
- ▶ **Rising gold prices may cause gold retail business to slow down in near term but will raise reselling demand and affirm store of value proposition.**
- ▶ **OP on 1) solid growth of AURA's gold financing portfolio; and 2) attractive valuation (3-year core profit CAGR of 23.6% vs. 2024 PER of 19.68x).**

Investment Highlights

- ▶ **Results preview.** AURA is scheduled to post its financial statement on Nov. 13. We expect it to report a 3Q23 net profit of Bt147mn. Excluding one-off items, core profit should come in at Bt144mn, up 9.1% YoY on a branch expansion, but down 26.3% due to the low season for sales. 9M23 core profit should account for 65.2% of our 2023 core profit projection. Despite a strong sales season in 4Q, our 2023 core profit forecast appears to have some downside risk. We will revisit our financial forecasts after the post-results analyst briefing.
- ▶ **Operations.** We expect 3Q23 revenue to come in at Bt7.15bn, up 2.5% YoY but down 6.1% QoQ. We forecast 3Q23 gold retail revenue will drop by 0.2% YoY due to slow gold consumption, and by 5.3% QoQ due to the low season for sales. Our calculation suggests 3Q23 average domestic gold ornament prices were Bt32.1k per Bt of gold, up 6.9% YoY and 0.3% QoQ. We estimate 3Q23 interest income will be Bt81mn, up 32.3% YoY and 15% QoQ as we estimate 3Q23 gold financing portfolio value at Bt2.74bn, up 42.5% YoY and 18.6% QoQ, due to an aggressive branch expansion and marketing campaigns. We assume that 3Q23 gross profit margin will stay healthy at 9%, vs. 7.9% in 3Q22 and 9.3% in 2Q23 due to an uptrend in gold prices and a higher portion of high-margin designer gold and diamond jewelry sales.

- ▶ **Outlook.** On the positive front, we are quite optimistic about AURA's earnings growth potential in the next 2-3 years given its aggressive branch expansion, its competitive funding costs to finance its cash conversion cycle and gold financing business, and the enhancing network effect. On the negative front, a higher interest rate will narrow the net interest margin on the gold financing business given the controlled lending rate cannot exceed 13% per year. Also, the rapid increase in gold prices may slow down gold consumption, perhaps more in terms of the weight count than unit count, in the near term. However, such circumstances may benefit AURA in the medium to long term since elevated gold prices will typically drive gold reselling activities and will support consumers' confidence to invest in gold ornaments, whose propositions are as a symbol of social status and a store of value.
- ▶ **Share price performance.** Although the stock has appreciated by 57.8% from its IPO price of Bt10.9 on Nov. 30, 2022, it is down 15.3% from its peak of Bt20.3 on Jan 5. The stock is currently trading at a 2024 PER of 19.68x and ROE of 21.15%.

Valuation and Recommendation

- ▶ **Outperform.** We reiterate our 2023-25 core profit forecasts and our Outperform call on AURA with an end-2024 blended PER and DCF-based target price of Bt20.26. Rerating catalysts include 1) larger-than-expected expansion of its gold financing business; 2) upside risk on profit margin from the upswing in gold prices; and 3) new business models to accelerate earnings growth after the end of the easy growth phase in the next 2-3 years.
- ▶ **Risks:** 1) a deep and quick depreciation of retail gold prices; 2) inefficient inventory management; and 3) stiffer competition from SME gold and pawn shops.

Fig 1 3Q23 performance preview

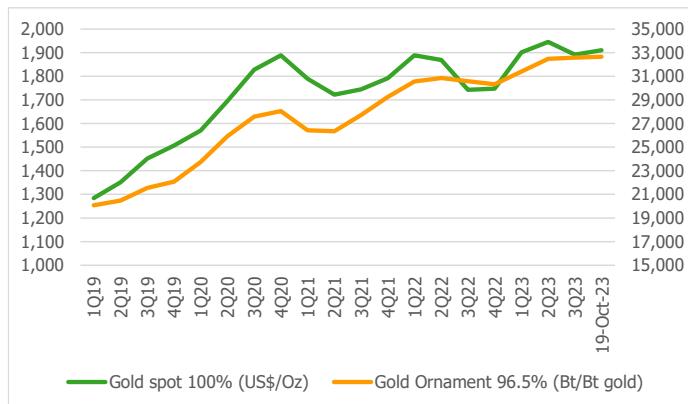
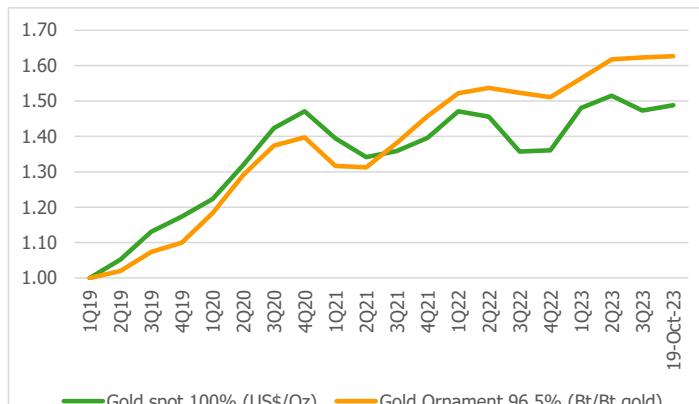
Btmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E	% YoY	% QoQ	9M23E	9M22	% YoY	2023E	% 23E
Revenue	7,890	6,511	6,979	8,200	7,475	7,616	7,154	2.5%	-6.1%	22,245	21,380	4.0%	33,856	65.7%
COGS	7,235	5,932	6,430	7,467	6,756	6,907	6,510	1.3%	-5.7%	20,173	19,597	2.9%	31,060	64.9%
Gross profit	655	579	549	734	719	709	644	17.3%	-9.2%	2,072	1,783	16.2%	2,796	74.1%
SG&A exp	318	347	373	423	350	410	402	7.9%	-2.0%	1,162	1,038	12.0%	1,469	79.1%
Operating profit	337	232	176	311	370	299	242	37.1%	-19.0%	910	746	22.1%	1,327	68.6%
Other inc (exp)	10	9	15	24	17	12	11	-22.9%	-1.6%	40	34	16.1%	27	146.6%
EBIT	347	241	191	335	386	310	253	32.5%	-18.4%	950	780	21.8%	1,354	70.2%
EBITDA	428	327	271	410	465	398	346	27.6%	-13.2%	1,210	1,027	17.8%	1,646	73.5%
Interest exp	47	51	50	71	53	61	70	40.0%	14.8%	185	148	24.6%	195	94.5%
EBT	301	190	141	265	333	249	183	29.8%	-26.5%	765	632	21.2%	1,159	66.0%
Tax charge	61	47	29	53	66	50	36	27.3%	-26.8%	152	136	11.5%	232	65.5%
NCI	0	0	0	0	0	0	0	n.m.	n.m.	0	0	n.m.	0	n.m.
Net profit	240	143	113	212	267	200	147	30.4%	-26.4%	614	496	23.8%	927	66.2%
Core profit	235	140	132	221	265	195	144	9.1%	-26.3%	604	507	19.2%	927	65.2%
FD EPS (Bt)	0.18	0.11	0.08	0.16	0.20	0.15	0.11	30.4%	-26.4%	0.46	0.37	23.8%	0.69	66.2%
FD core EPS (Bt)	0.18	0.11	0.10	0.17	0.20	0.15	0.11	9.1%	-26.3%	0.45	0.38	19.2%	0.69	65.2%

Source: Company, KS Research

Fig 2 Key financials

Btmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E	% YoY	% QoQ
Retail revenue	6,656	6,156	6,908	7,704	7,164	7,282	6,897	-0.2%	-5.3%
Gold settlement revenue	1,189	300	10	436	250	264	176	1663.2%	-33.3%
Interest income	46	55	61	60	60	70	81	32.3%	15.0%
Total revenue	7,890	6,511	6,979	8,200	7,475	7,616	7,154	2.5%	-6.1%
GPM (%)	8.3%	8.9%	7.9%	8.9%	9.6%	9.3%	9.0%		
SG&A to sale (%)	4.0%	5.3%	5.3%	5.2%	4.7%	5.4%	5.6%		
OPM (%)	4.3%	3.6%	2.5%	3.8%	4.9%	3.9%	3.4%		
Tax rate (%)	20.2%	24.6%	20.2%	20.0%	19.8%	19.9%	19.8%		
NPM (%)	3.0%	2.2%	1.6%	2.6%	3.6%	2.6%	2.1%		
Ann. interest income rate	12.67%	13.05%	13.52%	12.60%	12.84%	13.50%	12.82%		
Gold financing port	1,450	1,695	1,919	1,899	1,859	2,305	2,735	42.5%	18.6%

Source: Company, KS Research

Fig 3 Spot gold (US\$) vs. local gold price (Bt)

Source: KS Research, Company, [InterGold](#)
Fig 4 Accumulated changes of spot gold and local gold


Source: KS Research, Company

Fig 5 2023 guidance vs. KS estimates

Btmn	2022	AURA		2023E KS	AURA vs. KS		1H23 actual	2H23E		KS
		Low	High		Low	High		Low	High	
Guidance										
Revenue % YoY	32.9%	10.0%	15.0%	14.5%	-4.5%	0.5%	4.8%	14.9%	24.7%	23.6%
Net profit margin (%)	2.4%	2.8%	2.8%	2.7%	0.0%	0.0%	3.1%	2.5%	2.5%	2.5%
Financial										
Revenue (Btmn)	29,581	32,539	34,018	33,856	-3.9%	0.5%	15,091	17,447	18,927	18,764
Net profit (Btmn)	707	898	939	927	-3.1%	1.3%	467	431	472	460
% YoY	20.7%	27.0%	32.8%	31.0%	-4.1%	1.7%	21.9%	33.0%	45.6%	41.9%

Source: Company, KS Research

Fig 6 2024 guidance vs. KS estimates

	2022 actual	AURA		KS	
		2023E	2024E	2023E	2024E
No of branch	279	343	409	343	416
Additional branches	29	64	66	64	73
Loan port (Btmn)	1,952	2,788	3,700	2,638	3,743
Revenue growth	32.9%	10-15%	10-15%	14.5%	21.0%
Net profit margin (%)	2.4%	2.8%	2.8%	2.7%	2.8%
Inventory days	89	75-95	75-95	84	82

Source: Company, KS Research

Fig 7 Yearly financial situation

	2019	2020	2021	2022	2023E	2024E	2025E
No of outlets	212	214	250	279	343	416	498
Trading revenue per outlet	81	90	88	105	113	111	109
Loan port (Btmn)	0	1,216	1,208	1,952	2,638	3,743	4,618
Loan port per outlet		5.7	4.8	7.0	7.7	9.0	9.3
Lending rate (%)		10.2%	13.2%	13.8%	13.8%	13.8%	13.8%
A/R days - trading	19	22	22	21	28	32	34
INV days	99	106	109	89	84	84	83
A/P days	15	18	25	18	13	13	13
CCC (days)	103	111	105	91	99	103	103
Net debt to equity (x)	2.32	2.17	1.97	0.74	1.04	1.14	1.21
Net debt to EBITDA (x)	5.37	3.28	3.82	2.54	3.27	3.40	3.59
ROE (%)	35.6%	40.4%	26.8%	19.3%	19.3%	21.7%	22.6%
ROIC (%)	8.2%	10.3%	7.1%	7.9%	8.6%	9.8%	9.8%

Source: Company, KS Research

Fig 8 DCF-based fair value

Year	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Count	0	1	2	3	4	5	6
Discount factor	1.00	0.94	0.89	0.84	0.79	0.75	0.71
EBITDA	2,059	2,345	2,625	2,910	3,143	3,395	3,666
Tax	-412	-469	-525	-582	-629	-679	-733
Change in NWC	-820	-1,098	-1,228	-1,467	-1,505	-1,625	-1,755
Capex	-310	-314	-282	-254	-241	-229	-218
FCFF	518	464	590	607	768	861	960
PV of FCFF	518	438	525	511	610	645	679
PV of TV	23,691						
Sum of PV FCFF	27,616						
Net debt	-2,049 Kd	3.5%	Rf	3.0%	Debt portion	55.0%	
PV of FCFE	25,568 KdAT	2.8%	Rm	8.0%	WACC	5.95%	
No of shares (m)	1,334		Beta	0.9	LTG	3.0%	
Bt per share	19.17			Ke	9.8%		

Source: Company, KS Research

Fig 9 Valuation summary

	Amount	DCF	
Relative PER (x)	22.58	WACC	6.0%
PEG based PER (x)	18.81	LTG rate	3.0%
Average PER (x)	20.70	PV of FCFF (2023-29E)	3,925
2025 net profit (Btmn)	1,376	PV of TV	23,691
2024 PER value	28,478	Net debt	-2,049
No of shares (m)	1,334	PV of FCFE	25,568
Bt per share	21.35	Bt per share	19.17
Blended value (Bt/share)		20.26	

Source: Company, KS Research

Year-end 31 Dec

Income Statement (Btmn)	2021A	2022A	2023E	2024E	2025E	Cashflow (Btmn)	2021A	2022A	2023E	2024E	2025E
Revenue	22,256	29,581	33,856	40,980	48,555	Net profit	548	709	927	1,166	1,376
Cost of sales and services	-20,279	-27,063	-31,060	-37,553	-44,505	Depreciation & amortization	361	380	319	294	276
Gross Profit	1,977	2,517	2,796	3,427	4,050	Change in working capital	-161	-1,275	-2,099	-1,615	-1,900
SG&A	-1,101	-1,460	-1,469	-1,761	-2,085	Others	128	202	232	291	344
Other income	0	0	0	0	0	CF from operation activities	876	16	-622	137	96
EBIT	875	1,057	1,327	1,667	1,965	Capital expenditure	-71	-95	-232	-238	-241
EBITDA	1,237	1,437	1,646	1,961	2,241	Investment in subs and affiliates	0	0	0	0	0
Interest expense	-200	-219	-195	-236	-272	Others	0	0	0	0	0
Equity earnings	0	0	0	0	0	CF from investing activities	-71	-95	-232	-238	-241
EBT	690	898	1,159	1,457	1,720	Cash dividend	-158	-1,933	-464	-583	-688
Income tax	-142	-189	-232	-291	-344	Net proceeds from debt	-327	-1,305	1,610	439	1,368
NPAT	548	709	927	1,166	1,376	Capital raising	0	3,562	0	0	0
Minority Interest	5	0	0	0	0	Others	-135	-345	-195	-236	-272
Core Profit	501	728	927	1,166	1,376	CF from financing activities	-620	-20	951	-380	408
Extraordinary items	29	19	0	0	0	Net change in cash	186	-99	97	-482	263
FX gain (loss)	14	0	0	0	0						
Reported net profit	543	709	927	1,166	1,376						
Balance Sheet (Btmn)											
Cash & equivalents	514	419	1,059	577	840	Per share (Bt)					
ST investments	0	0	0	0	0	Reported EPS	54.34	0.53	0.69	0.87	1.03
Accounts receivable	1,329	2,049	3,250	4,085	4,997	Core EPS	50.07	0.55	0.69	0.87	1.03
Inventories	6,421	6,723	8,548	9,828	11,461	DPS	37.15	1.30	0.35	0.44	0.52
Other current assets	12	27	12	12	12	BV	240.17	3.70	3.89	4.37	4.94
Total current assets	8,276	9,218	12,869	14,502	17,309	EV	490.08	20.24	20.67	21.36	22.19
Investment in subs & others	0	0	0	0	0	Free Cash Flow	80.53	-0.06	-0.64	-0.08	-0.11
Fixed assets-net	126	164	135	159	183	Valuation analysis					
Other assets	1,645	1,432	1,321	1,241	1,182	Reported P/E (x)	0.32	32.91	24.75	19.68	16.68
Total assets	10,046	10,814	14,324	15,902	18,674	Core P/E (x)	0.34	32.07	24.75	19.68	16.68
Short-term debt	3,570	1,824	3,619	4,009	5,080	P/BV (x)	0.07	4.73	4.42	3.93	3.48
Accounts payable	1,749	987	2,790	3,290	3,934	EV/EBITDA (x)	3.96	18.79	16.76	14.53	13.21
Other current assets	598	770	598	598	598	Price/Cash flow (x)	0.20	1,428.40	-36.88	167.98	240.19
Total current liabilities	5,917	3,581	7,006	7,896	9,612	Dividend yield (%)	215.99	7.46	2.02	2.54	3.00
Long-term debt	1,672	2,250	2,069	2,118	2,416	Profitability ratios					
Other liabilities	55	52	55	55	55	Gross margin (%)	8.88	8.51	8.26	8.36	8.34
Total liabilities	7,644	5,883	9,130	10,069	12,083	EBITDA margin (%)	5.56	4.86	4.86	4.78	4.61
Paid-up capital	1,000	1,334	1,334	1,334	1,334	EBIT margin (%)	4.00	3.78	4.00	4.13	4.10
Share premium	0	3,228	3,307	3,307	3,307	Net profit margin (%)	2.46	2.40	2.74	2.84	2.83
Reserves & others, net	0	0	0	0	0	ROA (%)	5.80	6.80	7.38	7.71	7.96
Retained earnings	1,402	369	553	1,191	1,951	ROE (%)	23.71	19.34	18.31	21.15	22.15
Minority interests	0	0	0	0	0	Liquidity ratios					
Total shareholders' equity	2,402	4,931	5,194	5,832	6,592	Current ratio (x)	1.40	2.57	1.84	1.84	1.80
Total equity & liabilities	10,046	10,814	14,324	15,901	18,674	Quick ratio (x)	0.31	0.69	0.61	0.59	0.61
Key Assumptions											
SG&A to sales (%)	91.1%	91.5%	91.7%	91.6%	91.7%	Growth					
Revenue breakdown per outlet (Btmn)						Revenue (%)	14.54	32.91	14.45	21.05	18.48
Gold retail	95	125	131	138	145	EBITDA (%)	-14.33	16.20	14.53	19.13	14.29
Sales contract	13	9	7	6	5	Reported net profit (%)	-28.74	30.52	30.70	25.77	17.99
Revenue proportion by channels (%)						Reported EPS (%)	-28.74	-99.02	30.70	25.77	17.99
Gold retail	99.28%	99.25%	98.92%	98.76%	98.71%	Core profit (%)	-36.42	45.38	27.34	25.77	17.99
Sales contract	0.72%	0.75%	1.08%	1.24%	1.29%	Core EPS (%)	-36.42	-98.91	27.34	25.77	17.99

Source: Company, KS estimates



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KS may be the issuer of structured notes on these securities.

KS acts as market maker and issuer of Derivative Warrants ("DWs") on the underlying stocks listed below. Investors should carefully read the details of the DWs in the prospectus before making any investment decisions.

DWs Underlying: AAV, ADVANC, AMATA, AOT, AP, AWC, BAM, BANPU, BBL, BCH, BCP, BDMS, BEM, BGRIM, BH, BLA, BTS, CBG, CENTEL, CHG, CK, COM7, CPALL, CPF, CPN, CRC, DELTA, DOHOME, EA, EGCO, ESSO, FORTH, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JMART, JMT, KCE, KEX, KKP, KTB, KTC, LH, MEGA, MINT, MTC, OR, OSP, PLANB, PSL, PTG, PTT, PTTEP, PTTGC, RATCH, RCL, SAWAD, SCB, SCC, SCGP, SET50, SINGER, SIRI, SJWD, SPALI, SPRC, STA, STGT, TCAP, THG, TIDLOR, TIPH, TISCO, TOP, TQM, TRUE, TTB, TU, VGI, WHA.

