

Aurora Design PCL

AURA TB Outperform

Target Price	Bt	20.26
Price (14/11/2023)	Bt	15.90
Upside	%	27.42
Valuation	PER and DCF	
Sector	Fashion	
Market Cap	Btm	21,211
30-day avg turnover	Btm	30.71
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 (Btmn)	29,581	33,856	40,980	48,555
Core profit (Btmn)	728	927	1,166	1,376
Net profit (Btmn)	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	22.88	18.19	15.42
P/BV (x)	4.73	4.08	3.64	3.22
EV/EBITDA (x)	18.79	15.70	13.65	12.44
Dividend yield (%)	7.46	2.19	2.75	3.24

AURA TB rel SET performance


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

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Rising gold prices widened profit margin

- ▶ **3Q23 core profit of Bt132mn (+7% YoY, -32.7% QoQ) was 8.2% below our preview. 9M23 core profit represents 64.1% 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 18.19x).**

Investment Highlights

- ▶ **Results review.** On Nov. 14, AURA posted its 3Q23 financial statement with a net profit of Bt142mn. Excluding one-off items, core profit came in at Bt132mn, up 7% YoY due to higher gross profit margin from a better revenue mix of high-margin products, but down 32.7% QoQ due to the low sales season. 3Q23 core profit was 8.2% below our preview due to a jump in the retail gold price. 9M23 core profit of Bt594mn was up 15.7% YoY and represents 64.1% of our 2023 core profit forecast. We will revisit our financial projection after the analyst meeting on Nov 29.
- ▶ **Operations.** 3Q23 revenue came in at Bt6.71bn, down 3.9% YoY due to ongoing retail gold price appreciation (+8.4% on a YTD basis) causing consumers to put off purchases of gold ornaments. However, activities related to the resale and financing gained traction, resulting in a higher gross profit margin to 9.3% in 3Q23 from 7.9% in 3Q22. 3Q23 gold financing portfolio expanded to Bt2.75bn, up 43.4% YoY and 19.3% QoQ, whereas effective lending rate was 12% in 3Q23, vs. 12.6% in 3Q22 and 13.5% in 2Q23. SG&A-to-sales ratio in the quarter rose to 6% from 5.3% QoQ due to higher marketing activities. AURA currently has 342 branches, vs. 279 branches in 4Q22 and 4% ahead of its branch expansion target for this year. 3Q23 cash conversion cycle lengthened to 108 days from 74 days in 3Q22 and 91 days in 2Q23 due to its aggressive branch expansion, requiring higher gold inventories. 3Q23 net debt to equity was 1x, rising from a post IPO level of 0.74x in 4Q22.
- ▶ **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 enhanced 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 weight count than unit count, in the near term. However, such a situation 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.

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.
- ▶ **Share price performance.** Although the stock has appreciated by 45.9% from its IPO price of Bt10.9 on Nov. 30, 2022, it is down 21.7% from its peak of Bt20.3 on Jan 5. The stock is currently trading at a 2024 PER of 18.19x and ROE of 21.15%.
- ▶ **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 review

Btmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	% YoY	% QoQ	3Q23E	% Var	9M23	9M22	% YoY	2023E	% 23E
Revenue	7,890	6,511	6,979	8,200	7,475	7,616	6,708	-3.9%	-11.9%	7,154	-6.2%	21,799	21,380	2.0%	33,856	64.4%
COGS	7,235	5,932	6,430	7,467	6,756	6,907	6,084	-5.4%	-11.9%	6,510	-6.5%	19,747	19,597	0.8%	31,060	63.6%
Gross profit	655	579	549	734	719	709	624	13.6%	-12.0%	644	-3.1%	2,052	1,783	15.1%	2,796	73.4%
SG&A exp	318	347	373	423	350	410	399	7.2%	-2.7%	402	-0.7%	1,159	1,038	11.7%	1,469	78.9%
Operating profit	337	232	176	311	370	299	225	27.4%	-24.8%	242	-7.1%	893	746	19.8%	1,327	67.3%
Other inc (exp)	10	9	15	24	17	12	21	41.3%	80.3%	11	83.3%	49	34	43.8%	27	181.6%
EBIT	347	241	191	335	386	310	246	28.4%	-20.9%	253	-3.0%	942	780	20.8%	1,354	69.6%
EBITDA	428	327	271	410	465	398	329	21.3%	-17.5%	346	-5.0%	1,192	1,027	16.1%	1,646	72.5%
Interest exp	47	51	50	71	53	61	69	37.8%	13.0%	70	-1.6%	184	148	23.9%	195	94.0%
EBT	301	190	141	265	333	249	176	25.1%	-29.2%	183	-3.6%	759	632	20.1%	1,159	65.5%
Tax charge	61	47	29	53	66	50	35	22.4%	-29.6%	36	-3.9%	150	136	10.5%	232	64.9%
NCI	0	0	0	0	0	0	0	n.m.	n.m.	0	n.m.	0	0	n.m.	0	n.m.
Net profit	240	143	113	212	267	200	142	25.8%	-29.0%	147	-3.6%	608	496	22.8%	927	65.6%
Core profit	244	146	123	195	266	196	132	7.0%	-32.7%	144	-8.2%	594	513	15.7%	927	64.1%
FD EPS (Bt)	0.18	0.11	0.08	0.16	0.20	0.15	0.11	25.8%	-29.0%	0.11	-3.6%	0.46	0.37	22.8%	0.69	65.6%
FD core EPS (Bt)	0.18	0.11	0.09	0.15	0.20	0.15	0.10	7.0%	-32.7%	0.11	-8.2%	0.45	0.38	15.7%	0.69	64.1%

Source: Company, KS Research

Fig 2 Key financials

Btmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	% YoY	% QoQ	3Q23E	% Var
Retail revenue	6,656	6,156	6,908	7,704	7,164	7,282	6,604	-4.4%	-9.3%	6,897	-4.3%
Gold settlement revenue	1,189	300	10	436	250	264	27	165.8%	-90.0%	176	-84.9%
Interest income	46	55	61	60	60	70	78	28.0%	11.2%	81	-3.3%
Total revenue	7,890	6,511	6,979	8,200	7,475	7,616	6,708	-3.9%	-11.9%	7,154	-6.2%
GPM (%)	8.3%	8.9%	7.9%	8.9%	9.6%	9.3%	9.3%	1.4%	0.0%	9.0%	0.3%
SG&A to sale (%)	4.0%	5.3%	5.3%	5.2%	4.7%	5.4%	6.0%	0.6%	0.6%	5.6%	0.3%
OPM (%)	4.3%	3.6%	2.5%	3.8%	4.9%	3.9%	3.4%	0.8%	-0.6%	3.4%	0.0%
Tax rate (%)	20.2%	24.6%	20.2%	20.0%	19.8%	19.9%	19.8%	-0.4%	-0.1%	19.8%	0.0%
NPM (%)	3.0%	2.2%	1.6%	2.6%	3.6%	2.6%	2.1%	0.5%	-0.5%	2.1%	0.1%
Ann. interest income rate	12.67%	13.05%	13.52%	12.60%	12.84%	13.50%	12.02%	-1.5%	-1.5%	12.82%	-0.8%
Gold financing port	1,450	1,695	1,919	1,899	1,859	2,305	2,751	43.4%	19.3%	2,750	0.0%

Source: Company, KS Research

Fig 3 Revenue and cost breakdown

Btmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	% YoY	% QoQ
Revenue breakdown									
Modern gold	7,543	6,079	6,500	7,659	6,948	7,242	6,257	-3.7%	-13.6%
Design jewelry	301	377	417	481	467	304	373	-10.7%	22.7%
Interest income	46	55	61	60	60	70	78	28.0%	11.2%
Total	7,890	6,511	6,979	8,200	7,475	7,616	6,708	-3.9%	-11.9%
COGS breakdown									
Modern gold	7,078	5,707	6,225	7,218	6,529	6,754	5,885	-5.5%	-12.9%
Design jewelry	157	225	205	249	226	153	200	-2.5%	30.6%
Interest income	0	0	0	0	0	0	0	n.m.	n.m.
Total	7,235	5,932	6,430	7,467	6,756	6,907	6,084	-5.4%	-11.9%
Gross profit breakdown									
Modern gold	465	372	275	442	418	488	373	35.3%	-23.6%
Design jewelry	145	152	213	232	241	151	173	-18.5%	14.8%
Interest income	46	55	61	60	60	70	78	28.0%	11.2%
Total	655	579	549	734	719	709	624	13.6%	-12.0%
GPM breakdown									
Modern gold	6.2%	6.1%	4.2%	5.8%	6.0%	6.7%	6.0%	1.7%	-0.8%
Design jewelry	48.1%	40.3%	51.0%	48.2%	51.6%	49.7%	46.5%	-4.5%	-3.2%
Interest income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%
Total	8.3%	8.9%	7.9%	8.9%	9.6%	9.3%	9.3%	1.4%	0.0%

Source: Company, KS Research



Fig 4 Working capital analysis

Btmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
A/R - total	n.a.	1,858	2,041	2,049	2,054	2,395	2,898
A/R - gold retail	n.a.	69	98	127	195	62	116
INV	n.a.	6,438	6,545	6,723	7,258	7,615	7,700
A/P	n.a.	1,157	1,379	987	675	765	620
Revenue - gold retail	6,656	12,811	19,719	27,424	7,164	7,282	6,604
COGS	7,235	13,167	19,597	27,063	6,756	6,907	6,084
A/R days - gold retail	n.a.	0.98	1.36	1.69	2.48	0.78	1.60
INV days	n.a.	89.23	91.43	90.67	98.03	100.61	115.48
A/P days	n.a.	16.04	19.27	13.31	9.11	10.11	9.30
CCC days	n.a.	74.17	73.52	79.05	91.40	91.27	107.78

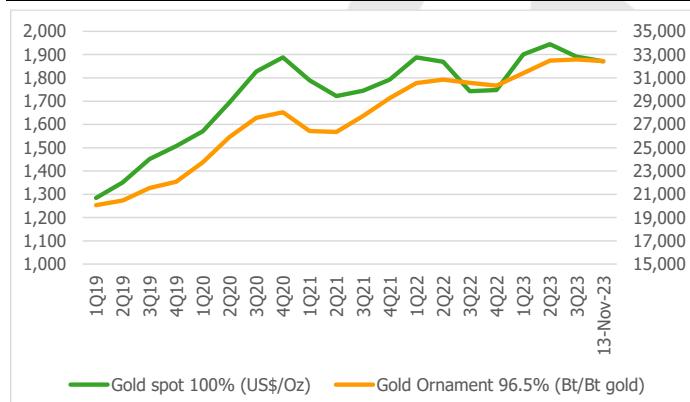
Source: KS Research, Company

Fig 5 Debt analysis

Btmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Debt	n.a.	5,551	4,377	3,153	4,053	4,367	4,975
Lease	n.a.	1,145	988	921	847	782	703
Total debt	n.a.	6,696	5,364	4,074	4,900	5,148	5,678
Cash	n.a.	130	81	419	557	336	259
Net debt	n.a.	6,566	5,283	3,655	4,343	4,813	5,419
Equity	n.a.	2,785	2,897	4,931	5,198	5,291	5,433
EBITDA	n.a.	767	1,047	1,437	465	398	329
Net debt to equity (x)	n.a.	2.36	1.82	0.74	0.84	0.91	1.00
Net debt to ann EBITDA (x)	n.a.	4.28	3.79	2.54	2.33	3.02	4.12

Source: KS Research, Company

Fig 6 Spot gold (US\$) vs. local gold price (Bt)



Source: KS Research, Company, [InterGold](#)

Fig 7 Accumulated changes of spot gold and local gold



Source: KS Research, Company

Fig 8 2023 guidance vs. KS estimates

Btmn	2022	2023E		9M23 actual	4Q23E		KS
		Low	High		Low	High	
Guidance							
Revenue % YoY	32.9%	10.0%	15.0%	14.5%	-4.5%	0.5%	2.0%
Net profit margin (%)	2.4%	2.8%	2.8%	2.7%	0.0%	0.0%	2.8%
Financial							
Revenue (Btmn)	29,581	32,539	34,018	33,856	-3.9%	0.5%	21,799
Net profit (Btmn)	707	898	939	927	-3.1%	1.3%	608
% YoY	20.7%	27.0%	32.8%	31.0%	-4.1%	1.7%	22.8%

Source: Company, KS Research

Fig 9 2024 guidance vs. KS estimates

	2022	AURA		KS			
		actual	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 10 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 11 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	Cost of debt		Cost of equity		Cost of capital	
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 12 Valuation summary

	Amount	DCF
Relative PER (x)	22.58	WACC
PEG based PER (x)	18.81	LTG rate
Average PER (x)	20.70	PV of FCFF (2023-29E)
2025 net profit (Btmn)	1,376	PV of TV
2024 PER value	28,478	Net debt
No of shares (m)	1,334	PV of FCFE
Bt per share	21.35	Bt per share
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	Key Statistics & Ratios					
Reported net profit	543	709	927	1,166	1,376	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	54.34	0.53	0.69	0.87	1.03
Cash & equivalents	514	419	1,059	577	840	Core EPS	50.07	0.55	0.69	0.87	1.03
ST investments	0	0	0	0	0	DPS	37.15	1.30	0.35	0.44	0.52
Accounts receivable	1,329	2,049	3,250	4,085	4,997	BV	240.17	3.70	3.89	4.37	4.94
Inventories	6,421	6,723	8,548	9,828	11,461	EV	488.78	20.24	19.37	20.06	20.89
Other current assets	12	27	12	12	12	Free Cash Flow	80.53	-0.06	-0.64	-0.08	-0.11
Total current assets	8,276	9,218	12,869	14,502	17,309	Valuation analysis					
Investment in subs & others	0	0	0	0	0	Reported P/E (x)	0.29	32.91	22.88	18.19	15.42
Fixed assets-net	126	164	135	159	183	Core P/E (x)	0.32	32.07	22.88	18.19	15.42
Other assets	1,645	1,432	1,321	1,241	1,182	P/BV (x)	0.07	4.73	4.08	3.64	3.22
Total assets	10,046	10,814	14,324	15,902	18,674	EV/EBITDA (x)	3.95	18.79	15.70	13.65	12.44
Short-term debt	3,570	1,824	3,619	4,009	5,080	Price/Cash flow (x)	0.18	1,428.40	-34.10	155.28	222.04
Accounts payable	1,749	987	2,790	3,290	3,934	Dividend yield (%)	233.65	7.46	2.19	2.75	3.24
Other current assets	598	770	598	598	598	Profitability ratios					
Total current liabilities	5,917	3,581	7,006	7,896	9,612	Gross margin (%)	8.88	8.51	8.26	8.36	8.34
Long-term debt	1,672	2,250	2,069	2,118	2,416	EBITDA margin (%)	5.56	4.86	4.86	4.78	4.61
Other liabilities	55	52	55	55	55	EBIT margin (%)	4.00	3.78	4.00	4.13	4.10
Total liabilities	7,644	5,883	9,130	10,069	12,083	Net profit margin (%)	2.46	2.40	2.74	2.84	2.83
Paid-up capital	1,000	1,334	1,334	1,334	1,334	ROA (%)	5.80	6.80	7.38	7.71	7.96
Share premium	0	3,228	3,307	3,307	3,307	ROE (%)	23.71	19.34	18.31	21.15	22.15
Reserves & others, net	0	0	0	0	0	Liquidity ratios					
Retained earnings	1,402	369	553	1,191	1,951	Current ratio (x)	1.40	2.57	1.84	1.84	1.80
Minority interests	0	0	0	0	0	Quick ratio (x)	0.31	0.69	0.61	0.59	0.61
Total shareholders' equity	2,402	4,931	5,194	5,832	6,592	Leverage Ratios					
Total equity & liabilities	10,046	10,814	14,324	15,901	18,674	Liabilities/Equity ratio (x)	3.18	1.19	1.76	1.73	1.83
Key Assumptions						Net debt/EBITDA (x)	3.82	2.54	2.81	2.83	2.97
SG&A to sales (%)	91.1%	91.5%	91.7%	91.6%	91.7%	Net debt/equity (x)	1.97	0.74	0.89	0.95	1.01
Revenue breakdown per outlet (Btmn)						Int. coverage ratio (x)	4.45	5.11	6.93	7.17	7.31
Gold retail	95	125	131	138	145	Growth					
Sales contract	13	9	7	6	5	Revenue (%)	14.54	32.91	14.45	21.05	18.48
Revenue proportion by channels (%)						EBITDA (%)	-14.33	16.20	14.53	19.13	14.29
Gold retail	99.28%	99.25%	98.92%	98.76%	98.71%	Reported net profit (%)	-28.74	30.52	30.70	25.77	17.99
Sales contract	0.72%	0.75%	1.08%	1.24%	1.29%	Reported EPS (%)	-28.74	-99.02	30.70	25.77	17.99
						Core profit (%)	-36.42	45.38	27.34	25.77	17.99
						Core EPS (%)	-36.42	-98.91	27.34	25.77	17.99

Source: Company, KS estimates

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