

Aurora Design Pcl.

August 15, 2024

AURA

Perfect situation for gold resales and refinancing

Investment Fundamentals

Year end Dec 31	2022A	2023A	2024E	2025E
Company Financials				
Revenue (Btmn)	29,581	29,878	30,029	32,296
Core profit (Btmn)	728	839	988	1,113
Net profit (Btmn)	709	859	988	1,113
Net EPS (Bt)	0.53	0.64	0.74	0.83
DPS (Bt)	1.30	0.31	0.38	0.43
BVPS (Bt)	3.70	4.26	4.59	5.07
Net EPS growth (%)	-99.02	21.14	15.00	12.63
ROA (%)	6.80	7.09	7.10	7.38
ROE (%)	19.34	16.20	16.74	17.26
Net D/E (x)	0.74	0.89	0.77	0.66
Valuation				
P/E (x)	32.91	23.91	17.55	15.58
P/BV (x)	4.73	3.62	2.83	2.56
EV/EBITDA (x)	18.79	15.32	12.00	11.12
Dividend yield (%)	7.46	2.02	2.91	3.31

Analyst

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OUTPERFORM	Target Price/Upside:	Bt18.43/22.87%
Maintain Rating	Maintain Target Price	
Valuation: PER and DCF	Price (Aug 14, 2024)	Bt15.00
Sector: Fashion	No. of shares on issue:	1,334mn
Market Cap: Bt20,010mn	CG Scoring (IOD-Y2023):	Very Good
30-day avg turnover: Bt21.52mn	Anti-Corruption Indicator:	N/A

Investment Topics

- **Results review.** On Aug 14, AURA posted a 2Q24 net profit of Bt345mn. Excluding one-off items, core profit came in at Bt345mn, up 75.7% YoY and 25.8% QoQ due to robust growth of high-margin businesses (gold financing and gold resale). Core profit was 6.5% above our preview. Its 1H24 core profit represents 62.6% of our 2024 core profit projection. AURA will hold a post-result meeting on Aug 19.
- **Outlook.** We have a positive view of its 2Q24 results and outlook for the rest of the year. First, the 1Q24 gold financing portfolio value was Bt4.1bn (+71.4% YoY, +17% QoQ), boosting high-margin interest income by 85.5% YoY and 57% QoQ to Bt145mn. Second, we expect gold financing and gold resales will remain strong for 2H24 due to elevated gold price, financial institutions' more stringent loan conditions and consumers' need of short-term liquidity. Last, AURA will continue to benefit from elevated gold prices given its high proportion of fixed costs. As such, we see some upside risk to our 2024 financial projection.

Valuation and Recommendation

- **Outperform.** We maintain our 2024-26 core profit forecasts, end-2024 blended DCF and PER-based target price of Bt18.43, and Outperform call on AURA. Potential rerating catalysts are 1) higher-than-expected expansion of the gold financing business; 2) upside risk to profit margins from an 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.

Btmn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	% YoY	% QoQ	2Q24E	% Var	1H24	1H23	% YoY	2024E	% 24E
Revenue	7,475	7,616	6,708	8,078	8,161	7,525	-1.2%	-7.8%	7,547	-0.3%	15,686	15,091	3.9%	30,029	52.2%
COGS	6,756	6,907	6,084	7,278	7,288	6,525	-5.5%	-10.5%	6,604	-1.2%	13,813	13,663	1.1%	26,936	51.3%
Gross profit	719	709	624	801	873	1,000	41.1%	14.6%	943	6.0%	1,873	1,428	31.1%	3,093	60.5%
SG&A exp	350	410	399	428	460	468	14.2%	1.8%	466	0.6%	929	760	22.2%	1,595	58.2%
Operating profit	370	299	225	372	413	532	78.0%	28.9%	478	11.3%	944	668	41.3%	1,498	63.0%
Other inc (exp)	17	12	21	10	8	6	-43.8%	-22.7%	26	-75.1%	15	28	-47.2%	35	42.3%
EBIT	386	310	246	383	421	538	73.5%	27.8%	504	6.8%	959	697	37.7%	1,533	62.6%
EBITDA	465	398	329	479	526	645	62.0%	22.6%	601	7.3%	1,171	864	35.6%	1,837	63.8%
Interest exp	53	61	69	79	78	108	76.5%	37.7%	80	34.2%	186	114	62.9%	298	62.5%
EBT	333	249	176	303	343	430	72.7%	25.6%	423	1.6%	773	582	32.7%	1,235	62.6%
Tax charge	66	50	35	62	68	85	72.3%	25.7%	85	1.0%	153	115	33.0%	247	62.1%
NCI	0	0	0	0	0	0	n.m.	n.m.	0	#DIV/0!	0	0	n.m.	0	n.m.
Net profit	267	200	142	242	275	345	72.8%	25.5%	339	1.8%	619	467	32.7%	988	62.7%
Core profit	266	196	132	245	274	345	75.7%	25.8%	324	6.5%	619	462	33.9%	988	62.6%
FD EPS (Bt)	0.20	0.15	0.11	0.18	0.21	0.26	72.8%	25.5%	0.25	1.8%	0.46	0.35	32.7%	0.74	62.7%
FD core EPS (Bt)	0.20	0.15	0.10	0.18	0.21	0.26	75.7%	25.8%	0.24	6.5%	0.46	0.35	33.9%	0.74	62.6%

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Fig 1 Performance breakdown

Btmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	% YoY	% QoQ	2Q24E	% Var
GPM (%)	8.3%	8.9%	7.9%	8.9%	9.6%	9.3%	9.3%	9.9%	10.7%	13.3%	4.0%	2.6%	12.5%	0.8%
SG&A to sale (%)	4.0%	5.3%	5.3%	5.2%	4.7%	5.4%	6.0%	5.3%	5.6%	6.2%	0.8%	0.6%	6.2%	0.1%
OPM (%)	4.3%	3.6%	2.5%	3.8%	4.9%	3.9%	3.4%	4.6%	5.1%	7.1%	3.1%	2.0%	6.3%	0.7%
Tax rate (%)	20.2%	24.6%	20.2%	20.0%	19.8%	19.9%	19.8%	20.4%	19.8%	19.9%	0.0%	0.0%	20.0%	-0.1%
NPM (%)	3.0%	2.2%	1.6%	2.6%	3.6%	2.6%	2.1%	3.0%	3.4%	4.6%	2.0%	1.2%	4.5%	0.1%
Ann. interest income rate	15.26%	15.53%	13.31%	12.64%	14.96%	15.01%	13.96%	14.07%	12.50%	15.93%	0.9%	3.4%	15.87%	0.1%
Gold financing port	1,450	1,695	1,919	1,899	2,059	2,305	2,751	2,724	3,186	4,096	71.4%	17.0%	4,125	-0.7%
Revenue breakdown														
Modern gold	6,345	5,773	6,491	7,223	6,688	6,970	6,218	7,019	7,663	6,630	-4.9%	-13.5%	6,997	-5.2%
Design gold and diamond	301	377	417	481	467	304	373	376	406	296	-2.5%	-27.0%	406	-27.0%
Gold settlement revenue	1,189	300	10	436	250	264	27	584	0	454	71.5%	n.m.	0	n.m.
Interest income	55	61	60	60	70	78	91	99	92	145	85.5%	57.0%	145	0.0%

Source: Company, KS Research

Fig 2 Valuation summary

	Amount	DCF
Relative PER (x)	20.73	WACC
PEG based PER (x)	13.86	LTG rate
Average PER (x)	17.30	PV of FCFF (2023-29E)
2024 net profit (Btmn)	988	PV of TV
2024 PER value	17,090	Net debt
No of shares (m)	1,334	PV of FCFE
Bt per share	12.81	Bt per share
Blended value (Bt/share)		18.43

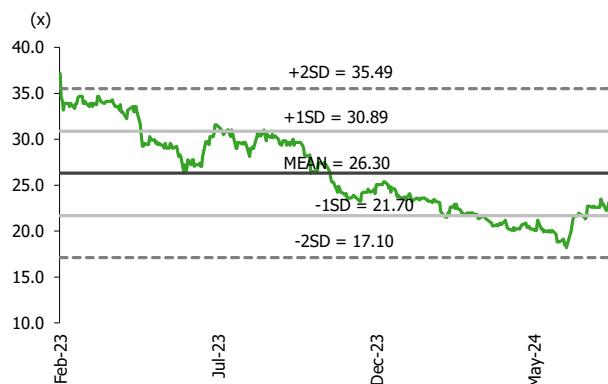
Source: Company, KS Research

Fig 3 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	0.88	0.83	0.77	0.73	0.68
EBITDA	1,837	1,964	2,090	2,193	2,368	2,558	2,762
Tax	-367	-393	-418	-439	-474	-512	-552
Change in NWC	-626	-838	-853	-616	-599	-582	-566
Capex	-103	-82	-66	-53	-76	-69	-66
FCFF	742	651	753	1,086	1,220	1,395	1,578
PV of FCFF	742	611	663	896	945	1,014	1,076
PV of TV	30,826						
Sum of PV FCFF	36,772	Cost of debt	Cost of equity	Cost of capital			
Net debt	-4,704 Kd	4.4%	Rf	3.0%	Debt portion	47.5%	
PV of FCFE	32,068 KdAT	3.5%	Rm	8.0%	WACC	6.60%	
No of shares (m)	1,334	Beta	0.8	LTG		3.0%	
Bt per share	24.04		Ke	9.4%			

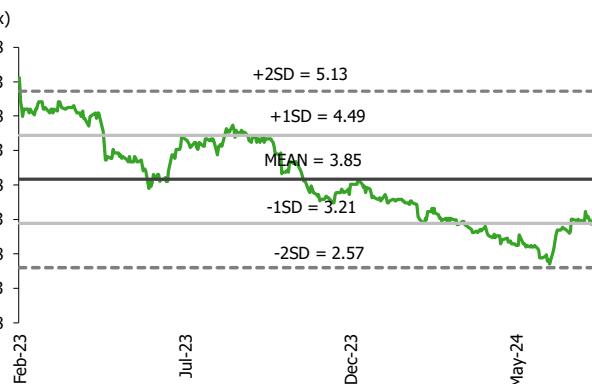
Source: Company, KS Research

Fig 4 12-month trailing PER band



Source: LSEG, Company, KS Research

Fig 5 12-month trailing PBV band



Source: LSEG, Company, KS Research

Year-end 31 Dec

Income Statement (Btmn)	2022A	2023A	2024E	2025E	2026E	Cashflow (Btmn)	2022A	2023A	2024E	2025E	2026E
Revenue	29,581	29,878	30,029	32,296	34,207	Net profit	709	859	988	1,113	1,239
Cost of sales and services	-27,063	-27,025	-26,936	-29,026	-30,713	Depreciation & amortization	380	406	339	297	257
Gross Profit	2,517	2,853	3,093	3,270	3,494	Change in working capital	-1,275	-2,268	-626	-838	-853
SG&A	-1,460	-1,588	-1,595	-1,603	-1,661	Others	202	250	247	278	310
Other income	0	0	0	0	0	CF from operation activities	16	-753	949	850	952
EBIT	1,057	1,265	1,498	1,667	1,833	Capital expenditure	-95	-125	-103	-82	-66
EBITDA	1,437	1,672	1,837	1,964	2,090	Investment in subs and affiliates	0	0	0	0	0
Interest expense	-219	-263	-298	-318	-323	Others	0	0	0	0	0
Equity earnings	0	0	0	0	0	CF from investing activities	-95	-125	-103	-82	-66
EBT	898	1,071	1,235	1,391	1,549	Cash dividend	-1,933	-107	-494	-556	-619
Income tax	-189	-212	-247	-278	-310	Net proceeds from debt	-1,305	1,388	-327	250	-77
NPAT	709	859	988	1,113	1,239	Capital raising	3,562	0	0	0	0
Minority Interest	0	0	0	0	0	Others	-345	-262	0	0	0
Core Profit	728	839	988	1,113	1,239	CF from financing activities	-20	1,019	-821	-307	-697
Extraordinary items	19	-20	0	0	0	Net change in cash	-99	142	25	461	190
FX gain (loss)	0	0	0	0	0	Key Statistics & Ratios					
Reported net profit	709	859	988	1,113	1,239	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	0.53	0.64	0.74	0.83	0.93
Cash & equivalents	419	560	585	1,046	1,235	Core EPS	0.55	0.63	0.74	0.83	0.93
ST investments	0	0	0	0	0	DPS	1.30	0.31	0.38	0.43	0.49
Accounts receivable	2,049	2,895	3,918	4,714	5,328	BV	3.70	4.26	4.59	5.07	5.58
Inventories	6,723	8,369	7,928	8,016	8,343	EV	20.24	19.19	16.53	16.37	16.17
Other current assets	27	26	26	26	26	Free Cash Flow	-0.06	-0.66	0.63	0.58	0.66
Total current assets	9,218	11,851	12,457	13,802	14,933	Valuation analysis					
Investment in subs & others	0	105	105	105	105	Reported P/E (x)	32.91	23.91	17.55	15.58	14.00
Fixed assets-net	164	225	559	679	775	Core P/E (x)	32.07	24.48	17.55	15.58	14.00
Other assets	1,432	1,231	1,293	1,170	1,053	P/BV (x)	4.73	3.62	2.83	2.56	2.33
Total assets	10,814	13,412	14,413	15,756	16,866	EV/EBITDA (x)	18.79	15.32	12.00	11.12	10.32
Short-term debt	1,824	3,932	3,397	3,676	3,705	Price/Cash flow (x)	1,428.4	-27.30	18.28	20.40	18.22
Accounts payable	987	1,301	1,257	1,303	1,391	Dividend yield (%)	7.46	2.02	2.91	3.31	3.75
Other current assets	770	761	761	761	761	Profitability ratios					
Total current liabilities	3,581	5,994	5,415	5,740	5,857	Gross margin (%)	8.51	9.55	10.30	10.13	10.21
Long-term debt	2,250	1,684	1,892	1,863	1,756	EBITDA margin (%)	4.86	5.59	6.12	6.08	6.11
Other liabilities	52	56	977	1,391	1,812	EBIT margin (%)	3.78	4.46	5.11	5.29	5.47
Total liabilities	5,883	7,734	8,284	8,994	9,426	Net profit margin (%)	2.40	2.88	3.29	3.45	3.62
Paid-up capital	1,334	1,334	1,334	1,334	1,334	ROA (%)	6.80	7.09	7.10	7.38	7.59
Share premium	3,228	3,228	3,228	3,228	3,228	ROE (%)	19.34	16.20	16.74	17.26	17.44
Reserves & others, net	0	0	0	0	0	Liquidity ratios					
Retained earnings	369	1,115	1,567	2,200	2,878	Current ratio (x)	2.57	1.98	2.30	2.40	2.55
Minority interests	0	0	0	0	0	Quick ratio (x)	0.69	0.58	0.83	1.00	1.12
Total shareholders' equity	4,931	5,678	6,129	6,762	7,441	Leverage Ratios					
Total equity & liabilities	10,814	13,412	14,413	15,756	16,866	Liabilities/Equity ratio (x)	1.19	1.36	1.35	1.33	1.27
Key Assumptions						Net debt/EBITDA (x)	2.54	3.02	2.56	2.29	2.02
SG&A to sales (%)	4.9%	5.3%	5.3%	5.0%	4.9%	Net debt/equity (x)	0.74	0.89	0.77	0.66	0.57
Revenue breakdown per outlet (Btmn)						Int. coverage ratio (x)	5.11	5.08	5.14	5.38	5.80
Gold retail	125	107	112	110	109	Growth					
Sales contract	9	5	4	4	4	Revenue (%)	32.91	1.00	0.51	7.55	5.92
Revenue proportion by channels (%)						EBITDA (%)	16.20	16.33	9.92	6.90	6.41
Gold retail	99.25%	99.00%	98.75%	98.58%	98.47%	Reported net profit (%)	30.52	21.14	15.00	12.63	11.33
Sales contract	0.75%	1.00%	1.25%	1.42%	1.53%	Reported EPS (%)	-99.02	21.14	15.00	12.63	11.33
						Core profit (%)	45.38	15.28	17.72	12.63	11.33
						Core EPS (%)	-98.91	15.28	17.72	12.63	11.33

Source: Company, KS Research

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