

Aurora Design Pcl.

March 13, 2024

AURA

Rising gold prices to enlarge gold financing portfolio



Highlights

- ▶ Management is targeting opening 78 new outlets, expanding its gold financing portfolio to Bt3.8bn and growing 2024 net profit by 10-15%.
- ▶ We revise down our 2024/25/26 core profit by 2%/3.1%/2.5% and lower our end-2024 target price by 2.8%. The stock is currently trading at a 2024 PER of 19.71x.
- ▶ We reiterate our Outperform call on 1) a better contribution from aggressive outlet expansion last year; 2) more stable gold price; and 3) improving domestic consumption on the government's pump-priming programs.

Investment Fundamentals

Year end Dec 31	2023A	2024E	2025E	2026E
Company Financials				
Revenue (Btmn)	29,878	30,029	32,296	34,207
Core profit (Btmn)	839	988	1,113	1,239
Net profit (Btmn)	859	988	1,113	1,239
Net EPS (Bt)	0.64	0.74	0.83	0.93
DPS (Bt)	0.31	0.38	0.43	0.49
BVPS (Bt)	4.26	4.59	5.07	5.58
Net EPS growth (%)	21.14	15.00	12.63	11.33
ROA (%)	7.09	7.10	7.38	7.59
ROE (%)	16.20	16.74	17.26	17.44
Net D/E (x)	0.89	0.77	0.66	0.57
Valuation				
P/E (x)	23.91	19.71	17.50	15.72
P/BV (x)	3.62	3.18	2.88	2.62
EV/EBITDA (x)	15.32	13.16	12.20	11.34
Dividend yield (%)	2.02	2.59	2.95	3.34

Analyst

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OUTPERFORM

No Change in Recommendation

Valuation: PER and DCF

Sector: Fashion

Market Cap: Bt19,476mn

30-day avg turnover: Bt16.64mn

Target price: Bt18.43

Price (Mar 12, 2024): Bt14.60

Upside: 26.23%

No. of shares on issue: 1,334mn

CG Scoring (IOD-Y2023): Very Good

Anti-Corruption Indicator: N/A

Investment Topics

- ▶ **Event.** On Mar. 12, AURA hosted a post-results analyst briefing. The company will participate in the SET's Opportunity Day on Mar. 13.
- ▶ **What's new?** First, management is targeting 2024 net profit growth of 10-15% with an expanding profit margin. Second, the company is aiming to enlarge its gold financing portfolio to Bt3.8bn (+44.2% YoY). Third, it is set to open 78 new outlets in 2024, resulting in total outlets of 484 (+19.2% YoY). Fourth, AURA has adapted a business strategy to focus on resale and financing activities during the uptrend in the gold price.
- ▶ **Our view.** We took away a slightly positive view of the meeting. On the positive side, increasing resale and financing activities implies AURA has been able to leverage its competitive advantage to win traffic from pawn shops and local gold shops. Second, AURA's balance sheet remains strong enough to scale up the gold financing portfolio. Third, the company's aggressive outlet expansion will put it in a good position to tap a resumption of consumer gold buying demand when the economy gets better, expected in 2H24.
- ▶ **Concerns.** First, the ongoing gold price uptrend may lower the company's capital efficiency as inventory turnover slows down while the inventory value requirement goes up. Second, the financial benefit from enlarged resale activity is difficult to predict and thus will be underappreciated by the market.
- ▶ **Earnings revision.** We revise down our 2024/25/26 core profit forecasts by 2%/3.1%/2.5% to reflect our conservative assumption on the potential margin expansion from growing resale activity. Our new 2024 earnings projections suggest quarterly performance in 2024 should begin slowly in 1H24 before performing better in 2H24 on improving consumption after the government can inject money into the economy.

Valuation and Recommendation

- ▶ **Outperform.** We reiterate our Outperform call on AURA with a new target price of Bt18.43. Rerating catalysts include 1) aggressive outlet expansion last year to generate a better-than-expected top line; 2) gold price moving sideways with a certain degree of volatility; and 3) better-than-expected cost management despite aggressive outlet expansion. We lower our end-2024 PER and DCF-based target price by 2.8% from Bt18.96 to Bt18.43 to reflect our earnings revision. The stock has retreated by 5.2% on a YTD basis and is trading at a 2024 PER of 19.71x.
- ▶ **Risks:** 1) deep and quick depreciation of retail gold prices; 2) inefficient inventory management; and 3) stiffer competition from SME gold and pawn shops.

About AURA: The company are engaged businesses of 1) the retail distribution (sale and resale) of gold jewelry, diamonds, gems, and k-gold; and 2) the service of sale with rights of redemption for jewelry. AURA operates 406 jewelry retail chain throughout the country. Major shareholder is Sirunghum family with the holding stake of 64.38%.

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Fig 1 The long-term trend of the monthly average of gold jewelry selling prices (Bt per Bt gold)



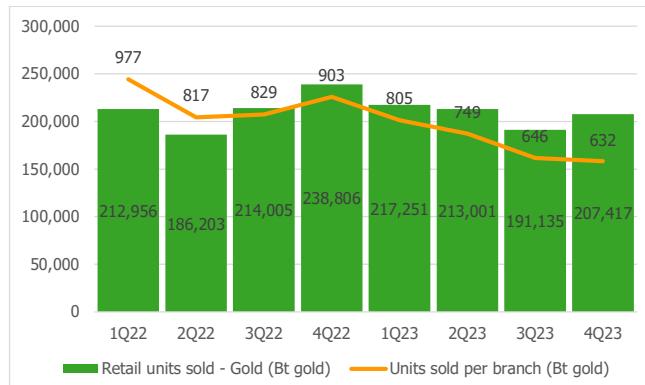
Source: Gold Trader Association, Company, KS Research
Remark: One Bath of gold jewelry equals 15.16 grams.

Fig 2 The movement of the monthly average of gold bar selling prices during 2021-23 (Bt per Bt gold)



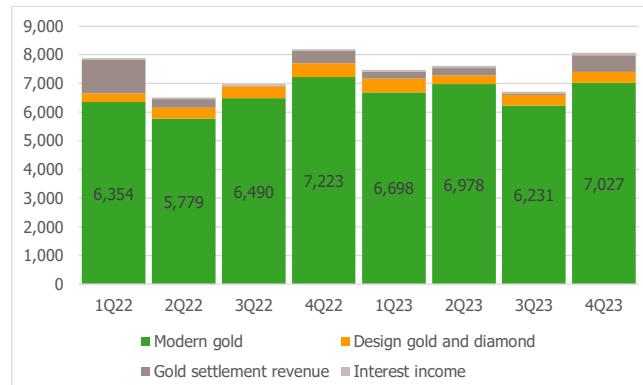
Source: Gold Trader Association, Company, KS Research
Remark: One Bath of gold jewelry equals 15.16 grams.

Fig 3 Total units sold and total units sold per branch



Source: Company, KS Research

Fig 4 Revenue breakdown (Bt mn)



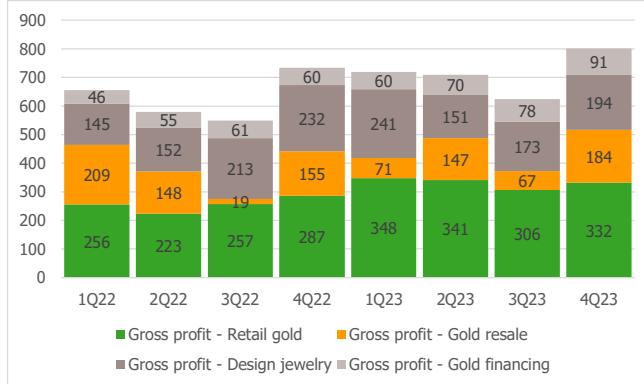
Source: Company, KS Research

Fig 5 Our survey of goldsmith fees

Weight (Bt gold)	Gold jewelry				Gold bar				% of retail price
	Retail price (Bt)	GTA's selling price (Bt)	Goldsmith fee (Bt)	% of retail price	Gold bar (Bt gold)	Retail price (Bt)	GTA's selling price (Bt)	Goldsmith fee (Bt)	
0.25	10,553	9,288	1,266	12.0%	0.25	9,662	9,163	500	5.2%
0.50	19,815	18,575	1,240	6.3%	0.50	18,575	18,325	250	1.3%
1.00	38,840	37,150	1,690	4.4%	1.00	36,940	36,650	290	0.8%

Source: Gold Trader Association, Company, KS Research

Fig 6 Gross profit breakdown



Source: Company, KS Research

Remark: We derive the gross profit of gold resale transactions by assuming the goldsmith fee of Bt1,200-1,500 per selling unit and the average weight of selling units of 0.75-1 Bt gold.

Fig 7 Number of branches

	4Q22	1Q23	2Q23	3Q23	4Q23
Aurora	211	212	215	218	225
Seng Heng	22	24	27	28	36
Khongkwan	2	2	2	2	2
Thongma	40	47	70	89	138
Diamond	4	5	5	5	5
Total	279	290	319	342	406
New branches	13	11	29	23	64

	2022	2023	2024E AURA Previous	2024E AURA New
Aurora	211	225	251	235
Seng Heng	22	36	47	51
Khongkwan	2	2	5	2
Thongma	40	138	100	188
Diamond	4	5	13	8
Total	279	406	416	484
New branches	13	127	10	78

Source: Company, KS Research

Fig 8 Earnings revision

Btmn	2023A	New	2024E	2025E	2026E	Previous	2024E	2025E	2026E	% change
Revenue	29,878	30,029	32,296	34,207	33,405	37,105	40,665	-10.1%	-13.0%	-15.9%
COGS	27,025	26,936	29,026	30,713	30,030	33,473	36,689	-10.3%	-13.3%	-16.3%
Gross profit	2,853	3,093	3,270	3,494	3,375	3,632	3,976	-8.3%	-10.0%	-12.1%
SG&A exp	1,588	1,595	1,603	1,661	1,864	1,937	2,115	-14.4%	-17.3%	-21.4%
Operating profit	1,265	1,498	1,667	1,833	1,511	1,695	1,862	-0.9%	-1.6%	-1.5%
Other inc (exp)	59	35	41	38	34	39	38	4.0%	5.2%	0.0%
EBIT	1,325	1,533	1,709	1,871	1,545	1,734	1,900	-0.7%	-1.5%	-1.5%
Interest exp	263	298	318	323	285	298	311	4.7%	6.6%	3.7%
Tax	212	247	278	310	252	287	318	-2.0%	-3.1%	-2.5%
Net profit	850	988	1,113	1,239	1,008	1,149	1,271	-2.0%	-3.1%	-2.5%
Core profit	839	988	1,113	1,239	1,008	1,149	1,271	-2.0%	-3.1%	-2.5%
No of shares (m)	1,334	1,334	1,334	1,334	1,334	1,334	1,334	0.0%	0.0%	0.0%
EPS (Bt)	0.64	0.74	0.83	0.93	0.76	0.86	0.95	-2.0%	-3.1%	-2.5%
Core EPS (Bt)	0.63	0.74	0.83	0.93	0.76	0.86	0.95	-2.0%	-3.1%	-2.5%
DPS (Bt)	0.32	0.37	0.42	0.46	0.38	0.43	0.48	-2.0%	-3.1%	-2.5%

Source: Company, KS Research

Fig 9 Key assumptions

Btmn	2023E	New	2024E	2025E	2026E	Previous	2024E	2025E	2026E	% change
Operating stats										
No of outlets - ending	406	484	546	596	409	491	540	18.3%	11.3%	10.4%
Unit sold (Bt gold)	862,744	857,994	920,140	972,905	1,324,553	1,568,478	1,235,109	-35.2%	-41.3%	-21.2%
Unit price (Bt/Bt gold)	32,523	34,500	34,500	34,500	30,557	30,557	32,423	12.9%	12.9%	6.4%
Goldsmith fee (Bt/Bt gold)	2,081	2,058	1,950	1,910	2,205	2,183	1,802	-6.7%	-10.6%	6.0%
Loan portfolio	2,788	3,918	4,714	5,328	4,085	4,997	5,150	-4.1%	-5.7%	3.5%
Effective lending rate (%)	12.8%	12.8%	12.8%	12.8%	13.8%	13.8%	12.8%	-7.4%	-7.4%	0.0%
Financial ratios										
Revenue % YoY	1.0%	0.5%	7.5%	5.9%	21.0%	18.5%	9.0%	-20.5%	-10.9%	-3.1%
Core profit % YoY	18.5%	17.7%	12.6%	11.3%	25.8%	18.0%	13.6%	-8.0%	-5.4%	-2.3%
GPM (%)	9.5%	10.3%	10.1%	10.2%	8.4%	8.3%	9.8%	1.9%	1.8%	0.4%
Operating margin (%)	4.2%	5.0%	5.2%	5.4%	4.1%	4.0%	4.6%	0.9%	1.1%	0.8%
SG&A to sale (%)	5.3%	5.3%	5.0%	4.9%	4.3%	4.3%	5.2%	1.0%	0.7%	-0.3%
Core profit margin (%)	2.8%	3.3%	3.4%	3.6%	2.8%	2.8%	3.1%	0.4%	0.6%	0.5%
INV days	102	110	100	97	89	87	94	23.6%	14.8%	3.0%
Net debt to equity (x)	0.89	0.77	0.66	0.57	0.95	1.01	0.73	-19.4%	-34.2%	-22.4%
Net debt to EBITDA (x)	3.02	2.56	2.29	2.02	2.83	2.97	2.53	-9.6%	-23.0%	-20.0%
ROE (%)	16.0%	16.7%	17.3%	17.4%	21.1%	22.1%	18.4%	-4.4%	-4.9%	-1.0%
ROIC (%)	7.6%	8.9%	9.3%	9.7%	8.4%	8.4%	10.0%	0.5%	0.8%	-0.2%

Source: Company, KS Research

Fig 10 2024 quarterly results preview

Btmn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	2022	2023	2024E
Revenue	7,890	6,511	6,979	8,200	7,475	7,616	6,708	8,078	7,403	7,311	6,904	8,412	29,581	29,878	30,029
COGS	7,235	5,932	6,430	7,467	6,756	6,907	6,084	7,278	6,614	6,568	6,208	7,546	27,063	27,025	26,936
Gross profit	655	579	549	734	719	709	624	801	789	742	696	866	2,517	2,853	3,093
SG&A exp	318	347	373	423	350	410	399	428	429	402	397	144	1,460	1,588	1,373
Operating profit	337	232	176	311	370	299	225	372	359	340	299	499	1,057	1,265	1,498
Other inc (exp)	10	9	15	24	17	12	21	10	12	12	12	0	58	59	35
EBIT	347	241	191	335	386	310	246	383	371	352	311	499	1,115	1,325	1,533
EBITDA	428	327	271	410	465	398	329	479	0	0	0	0	1,437	1,672	0
Interest exp	47	51	50	71	53	61	69	79	75	75	75	75	219	263	298
EBT	301	190	141	265	333	249	176	303	297	278	236	424	896	1,062	1,235
Tax charge	61	47	29	53	66	50	35	62	59	56	47	85	189	212	247
NCI	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net profit	240	143	113	212	267	200	142	242	237	222	189	340	707	850	988
Core profit	244	146	123	195	266	196	132	245	237	222	189	340	708	839	988
FD EPS (Bt)	0.18	0.11	0.08	0.16	0.20	0.15	0.11	0.18	0.18	0.17	0.14	0.25	0.53	0.64	0.74
FD core EPS (Bt)	0.18	0.11	0.09	0.15	0.20	0.15	0.10	0.18	0.18	0.17	0.14	0.25	0.53	0.63	0.74

Source: Company, KS Research

Fig 11 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

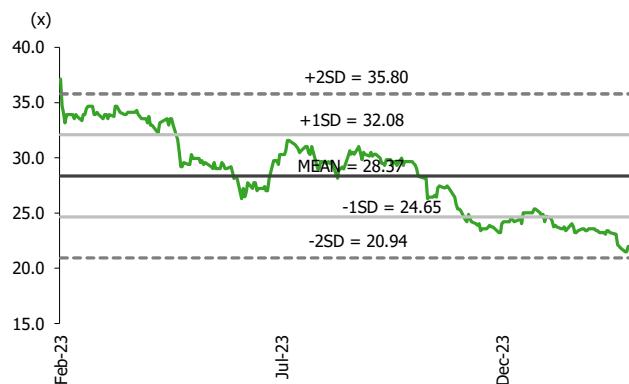
Source: Company, KS Research

Fig 12 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%			

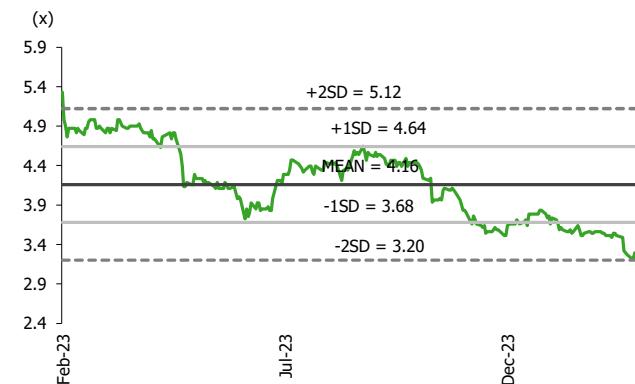
Source: Company, KS Research

Fig 13 12-month trialing PER band



Source: LSEG, Company, KS Research

Fig 14 12-month trialing 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	18.13	17.97	17.77
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	19.71	17.50	15.72
Fixed assets-net	164	225	559	679	775	Core P/E (x)	32.07	24.48	19.71	17.50	15.72
Other assets	1,432	1,231	1,293	1,170	1,053	P/BV (x)	4.73	3.62	3.18	2.88	2.62
Total assets	10,814	13,412	14,413	15,756	16,866	EV/EBITDA (x)	18.79	15.32	13.16	12.20	11.34
Short-term debt	1,824	3,932	3,397	3,676	3,705	Price/Cash flow (x)	1,428.4	-27.30	20.53	22.91	20.46
Accounts payable	987	1,301	1,257	1,303	1,391	Dividend yield (%)	7.46	2.02	2.59	2.95	3.34
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

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security(ies) and subject company(ies); and no part of the compensation of the research analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Investment Ratings

Outperform: Expected total return of 10% or more within a 12-month period

Neutral: Expected total return between -10% and 10% within a 12-month period

Underperform: Expected total return of -10% or worse within a 12-month period

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