

Aurora Design Pcl.

March 10, 2025

AURA

3-year business plan in March
could further rerate share price



Highlights

- ▶ Management provided upbeat operating guidance for 2025, implying an upside risk to our 2025 net profit forecast of 11%-20%.
- ▶ Share price has rebounded nicely by 15.7% since results were announced on Feb 28. Further gains will likely depend on 1) management's 3-year strategic direction, to be revealed by the end of March; and 2) its ability to execute operationally to meet the guidance.
- ▶ Outperform call on 1) management's upbeat growth outlook for the next three years; 2) net positive effect from an increase in goldsmith fees; and 3) company's success in unlocking its financing capacity.

Investment Fundamentals

Year end Dec 31	2023A	2024A	2025E	2026E
Company Financials				
Revenue (Btmn)	29,878	33,154	35,831	39,409
Core profit (Btmn)	839	1,132	1,219	1,504
Net profit (Btmn)	859	1,129	1,219	1,504
Net EPS (Bt)	0.64	0.85	0.91	1.13
DPS (Bt)	0.31	0.42	0.45	0.52
BVPS (Bt)	4.26	4.80	5.13	5.74
Net EPS growth (%)	21.14	31.38	7.96	23.45
ROA (%)	7.09	7.51	6.96	7.65
ROE (%)	16.20	18.69	18.40	20.75
Net D/E (x)	0.89	1.19	1.22	1.34
Valuation				
P/E (x)	23.91	17.25	17.73	14.36
P/BV (x)	3.62	3.04	3.16	2.82
EV/EBITDA (x)	15.32	11.96	13.13	11.63
Dividend yield (%)	2.02	2.88	2.77	3.20

Analyst

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OUTPERFORM	Target Price/Upside:	Bt20.10/24.07%
Maintain Rating	Maintain Target Price	
Valuation: PER and DCF	Price (Mar 7, 2025)	Bt16.20
Sector: Fashion	No. of shares on issue:	1,334mn
Market Cap: Bt21,611mn	CG Scoring (IOD-Y2023):	Excellent
30-day avg turnover: Bt26.80mn	Anti-Corruption Indicator:	N/A

Investment Topics

- ▶ **Event.** On March 7, AURA held a post-results analysts meeting.
- ▶ **What's new?** First, management said it was targeting 644 branches in 2025 (+156, +32% YoY, 15% above our forecast of 560). Its target for its gold financing portfolio for 2025 is Bt6.5bn (+33% YoY, 5% above our projection). Management is confident it will be able to grow the bottom line by 20-30% this year, vs. KS's estimate of 8%. Second, management plans to raise its goldsmith fees from late 1Q25 to early 2Q25. The maximum increase could be Bt300 per Bt gold, in line with the announcement of the Gold Trader Association. But the magnitude of the increase will be gradual to minimize the effect on demand elasticity. Third, management aims to get the nod from its major lenders for an expansion of its debt covenant from 2x to 2.5x in 2Q25, which would facilitate an aggressive branch expansion and the enlarging of its gold financing portfolio. Apart from bank loans, management is planning to issue a Bt2bn debenture with a 2-year maturity to take advantage of the lower interest rate environment and diversify its source of financing.
- ▶ **Our view.** We have a positive view of AURA based on management's upbeat guidance. If we apply its 2025 bottom growth target, AURA's 2025 net profit should grow 20%-30% YoY, with an upside risk to our forecast of 11%-20%. Additionally, management will soon reveal its three-year growth plan, which should fuel market expectations over the targeted earnings growth for the next three years (+17% by KS). As such, we maintain our 2025-27 earnings projections pending the disclosure of management's three-year business plan.

Valuation and Recommendation

- ▶ **Outperform.** We reiterate our Outperform call on AURA with an end-2025 target price of Bt20.1. Rerating catalysts include 1) upside to the earnings growth expectations of KS and the street; 2) robust 1Q25 results on further increases in the gold price; and 3) a possible multiple rerating to reflect the higher growth guidance. The stock is currently trading at a 2025 PER of 17.7x vs. our 2025-27 EPS CAGR growth forecast of 17%, a 2025 dividend yield of 2.8% and 2025 ROE of 18.4%. Prior to the results announcement on Feb. 28, AURA's share price had come off by 4.1% on a YTD basis. After the result announcement but before the analyst meeting on Mar. 7, its share price rebounded 8.6%. The stock rallied a further 6.6% after management revealed its upbeat 2025 operating guidance. The direction of the share price will now depend on how convincing management's 3-year strategic plan is and its execution.
- ▶ **Risks:** 1) Unexpected equity call owing to capital inadequacy; 2) changes in accounting standards; and 3) stretched financials.

About AURA: The company engages in 1) the retail distribution (sale and resale) of gold jewelry, diamonds, gems, and k-gold; and 2) service of sale with the right of redemption for jewelry. AURA operates 406 jewelry retail chain throughout the country. The major shareholder is the Srirungthum family with a holding stake of 64.38%.

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Fig 1 Management's operating guidance vs. KS estimate

	2024A	2025AURA	2025KS	AURA vs. KS
No of branches				
Aurora + Seng Heng	267	277	282	-1.8%
Thong Ma Ngern Pai (TMNP)	210	310	264	17.4%
High value jewelry shops	11	57	14	307.1%
Total branches	488	644	560	15.0%
Gold financing portfolio (Btmn)	4,880	6,500	6,180	5.2%
Net profit % YoY	33.5%	+20%+/-	7.4%	12.6%
KS interpretation				
Net profit	1,134	1,361	1,219	11.7%

Source: Company, KS Research

Fig 2 Gross profit breakdown and contribution

Btmn	2019	2020	2021	2022	2023	2024
Revenue breakdown						
Gold jewelry sales	16,060	18,266	20,895	27,782	28,059	31,163
High margin jewelry sales	1,153	1,040	1,201	1,577	1,520	1,453
Interest income from gold financing portfolio	119	124	160	222	300	538
Total revenue	17,332	19,430	22,256	29,581	29,878	33,154
Gross profit breakdown						
Gold jewelry sales	1,278	1,627	1,222	1,553	1,795	2,519
High margin jewelry sales	406	373	595	741	759	611
Interest income from gold financing portfolio	119	124	160	222	300	538
Gross profit	1,802	2,124	1,977	2,517	2,853	3,669
Gross profit margin breakdown						
Gold jewelry sales	8.0%	8.9%	5.8%	5.6%	6.4%	8.1%
High margin jewelry sales	35.2%	35.9%	49.5%	47.0%	49.9%	42.1%
Interest income from gold financing portfolio	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit margin (%)	10.4%	10.9%	8.9%	8.5%	9.5%	11.1%
Gross profit contribution						
Gold jewelry sales	70.9%	76.6%	61.8%	61.7%	62.9%	68.7%
High margin jewelry sales	22.5%	17.6%	30.1%	29.5%	26.6%	16.7%
Interest income from gold financing portfolio	6.6%	5.8%	8.1%	8.8%	10.5%	14.7%
Gross profit contribution	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company, KS Research

Fig 3 Big jump in gold price boosted profit margin from reselling activity

Btmn	2021	2022	2023	2024
Gold jewelry sales				
Retail sales	18,721	24,690	26,008	27,571
Resales	2,173	3,092	2,051	3,591
Gold jewelry sales	20,895	27,782	28,059	31,163
COGS				
Retail sales	17,533	23,184	24,220	25,097
Resales	2,139	3,044	2,043	3,546
Gold jewelry sales	19,673	26,228	26,264	28,643
Gross profit				
Retail sales	1,188	1,506	1,787	2,474
Resales	34	48	8	46
Gold jewelry sales	1,222	1,553	1,795	2,519
Gross profit margin (%)				
Retail sales	6.3%	6.1%	6.9%	9.0%
Resales	1.6%	1.5%	0.4%	1.3%
Gold jewelry sales	5.8%	5.6%	6.4%	8.1%
Volume sales				
Average gold price (Bt/Bt gold)	27,736	30,364	32,523	40,324
Volume sales (Bt gold, mn)	0.67	0.81	0.80	0.68
Goldsmith fee (Bt/Bt gold)	1,650	1,650	1,650	1,650
Gross profit from retail sales	1,114	1,342	1,319	1,128
GPM from retail sales	5.9%	5.4%	5.1%	4.1%
Decrease in COGS from resales	74	164	468	1,346

Source: Company, KS Research

Fig 4 Consumption of gold jewelry

Tons	2021	2022	2023	2024
Jewelry	8.1	9.4	9.2	9.0
Bar and coin	18.6	29.0	34.0	39.8
Total gold consumption	26.7	38.4	43.2	48.8
% YoY				
Jewelry		16.0%	-2.1%	-2.2%
Bar and coin		55.9%	17.2%	17.1%
Total gold consumption		43.8%	12.5%	13.0%

Source: Company, KS Research

Fig 5 Accumulated growth rate of local gold jewelry price and global spot price of gold from 2006 to present



Source: Gold Trader Association, Company, KS Research

Remark: One baht of gold jewelry equals 15.16 grams. 1 ounce (Oz) equals 28.3495 grams.

Fig 6 Accumulated growth rate of local gold jewelry price and global spot price of gold from 2021 to present



Source: Gold Trader Association, Company, KS Research

Remark: One baht of gold jewelry equals 15.16 grams. 1 ounce (Oz) equals 28.3495 grams

Fig 7 Valuation summary

	Retail	Lending	Aggregate	Explanation
2026 operating asset + net working cap	18,459	8,899	18,337	
2026 debt	5,582	5,153	11,492	
2026 equity	3,981	3,676	6,845	
2026 core profit (Btmn)	972	533	1,219	
Assigned PER (x)	19.5			2025 simple average PER of commerce sector with 10% discount
PER based value	18,945			
Assigned PBV (x)		1.7		Gordon model: R = 9.4%, G = 10%, Payout = 50%, ROE = 15.4%
PBV based value		7,864		
Total equity value	18,945	7,864	26,809	
No of share (m)	1,334	1,334	1,334	
Bt per share	14.20	5.89	20.10	

Source: Company, KS Research

Fig 8 Trailing PER band



Source: LSEG, Company, KS Research

Fig 9 Trailing PBV band



Source: LSEG, Company, KS Research

KS ESG analysis: Aurora Design PCL.

ESG score : Unrated
SETESG certified: No
DJSI certified: No

2023 Awards

- SET Awards 2023
- World Branding Awards 2017-2023
- Thailand Social Awards 2019-2023
- DDAY SHINING STAR

Company overview

- AURA is a leading retail business which provides a wide range of gold, diamond, gemstone jewelry, and related services. The company is one-stop destination for all jewelry needs. About 94% of its revenue comes from modern gold, while design gold and diamond jewelry contribute at around 5% of total

Analyst opinion

- AURA is aware of the importance of conducting business according to sustainable growth. As a result, the company has been preparing and developing in operations, employees, and related activities toward sustainability. This includes in all ESG aspects. However, in terms of methodology and evaluation, the company provides unclear report in detail how it would achieve to long-term goals of sustainability.

Environmental aspect

	unit	2022	2023
1. Total greenhouse gas emissions	MTCO2e	1,011	4,164
2. Electricity consumption	MWh	622,215	787,780
3. Fuel consumption	Liters	3,043	277,513
4. Water consumption	Cubic meters	7,180	1,919
5. Total waste generated	Kilograms	0	0

Analyst comment

- Even though the company has been pushing its business operation to follow sustainable growth, it has significant increase in greenhouse gas emission and fuel consumption from operations. Electricity consumption increases due to installation of solar. Additionally, the water consumption reduces from automatic water management system. Also, there is a packaging recycle project to manage waste generated as well.

Social aspect

	unit	2022	2023
1. Total employee compensation	Bt mn	528.34	630.95
2. Employee turnover rate	%	37.92	55.78
3. Gender diversity	% female	84.10	85.74
4. Human rights training programs	Yes/No	No	Yes
5. Significant labor dispute	Yes/No	No	No

Analyst comment

- Higher employee compensation comes from an increase in the number of employees. This conforms with higher turnover rate. In terms of gender diversity, the proportion of female employees is high due to the nature of the business. In addition, the company provides training courses which realize to the importance of human rights. There is no significant labor dispute.

Governance aspect

	unit	2022	2023
1. % of independent directors	%	42.86	42.86
2. Number of female directors	%	14.29	14.29
3. Loss time injury incidents by employee	Cases	2	2
4. Employee participating provident fund	%	37.60	34.11
5. Corporate governance policy	Yes/No	Yes	Yes

Analyst comment

- The number of independent directors meet the minimum criteria with less portion of female directors. Loss time injury incident cases remain the same level at low rate, as the company has good safety management system. In addition, the number of provident fund members slightly decreases from the higher rate of turnover.

Materiality assessment

- The company has no conduct of materiality assessment.

Year-end 31 Dec

Income Statement (Btmn)	2023A	2024A	2025E	2026E	2027E	Cashflow (Btmn)	2023A	2024A	2025E	2026E	2027E
Revenue	29,878	33,154	35,831	39,409	42,315	Net profit	859	1,129	1,219	1,504	1,781
Cost of sales and services	-27,025	-29,485	-31,733	-34,584	-36,874	Depreciation & amortization	406	487	309	269	231
Gross Profit	2,853	3,669	4,098	4,825	5,441	Change in working capital	-2,268	-3,330	-2,575	-2,564	-2,033
SG&A	-1,588	-1,890	-2,126	-2,352	-2,510	Others	250	389	305	376	445
Other income	0	0	0	0	0	CF from operation activities	-753	-1,325	-743	-414	425
EBIT	1,265	1,778	1,972	2,473	2,931	Capital expenditure	-125	-137	-181	-136	-102
EBITDA	1,672	2,265	2,282	2,742	3,162	Investment in subs and affiliates	0	0	0	0	0
Interest expense	-263	-400	-490	-631	-744	Others	0	1	0	0	0
Equity earnings	0	0	0	0	0	CF from investing activities	-125	-136	-181	-136	-102
EBT	1,071	1,410	1,523	1,881	2,227	Cash dividend	-107	-414	-609	-752	-891
Income tax	-212	-281	-305	-376	-445	Net proceeds from debt	1,388	2,388	2,411	1,877	1,537
NPAT	859	1,129	1,219	1,504	1,781	Capital raising	0	0	0	0	0
Minority Interest	0	0	0	0	0	Others	-262	-399	-490	-631	-744
Core Profit	839	1,132	1,219	1,504	1,781	CF from financing activities	1,019	1,575	1,312	494	-98
Extraordinary items	-20	3	0	0	0	Net change in cash	142	114	388	-56	225
FX gain (loss)	0	0	0	0	0	Key Statistics & Ratios					
Reported net profit	859	1,129	1,219	1,504	1,781	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	0.64	0.85	0.91	1.13	1.34
Cash & equivalents	560	575	502	446	671	Core EPS	0.63	0.85	0.91	1.13	1.34
ST investments	0	0	0	0	0	DPS	0.31	0.42	0.45	0.52	0.62
Accounts receivable	2,895	5,070	6,489	8,101	9,456	BV	4.26	4.80	5.13	5.74	6.46
Inventories	8,369	9,479	9,314	10,415	11,217	EV	19.19	20.31	22.46	23.91	24.90
Other current assets	26	52	26	26	26	Free Cash Flow	-0.66	-1.10	-0.69	-0.41	0.24
Total current assets	11,851	15,175	16,331	18,988	21,370	Valuation analysis					
Investment in subs & others	105	206	105	105	105	Reported P/E (x)	23.91	17.25	17.73	14.36	12.13
Fixed assets-net	225	261	705	814	897	Core P/E (x)	24.48	17.21	17.73	14.36	12.13
Other assets	1,231	1,027	1,196	1,086	975	P/BV (x)	3.62	3.04	3.16	2.82	2.51
Total assets	13,412	16,669	18,337	20,994	23,346	EV/EBITDA (x)	15.32	11.96	13.13	11.63	10.50
Short-term debt	3,932	6,709	5,827	7,202	8,343	Price/Cash flow (x)	-27.30	-14.70	-29.10	-52.17	50.89
Accounts payable	1,301	1,275	1,446	1,595	1,719	Dividend yield (%)	2.02	2.88	2.77	3.20	3.81
Other current assets	761	743	761	761	269	Profitability ratios					
Total current liabilities	5,994	8,726	8,034	9,558	10,576	Gross margin (%)	9.55	11.07	11.44	12.24	12.86
Long-term debt	1,684	1,480	3,030	3,532	3,929	EBITDA margin (%)	5.59	6.83	6.37	6.96	7.47
Other liabilities	56	64	427	246	228	EBIT margin (%)	4.46	5.46	5.62	6.37	7.02
Total liabilities	7,734	10,270	11,492	13,337	14,733	Net profit margin (%)	2.88	3.40	3.40	3.82	4.21
Paid-up capital	1,334	1,334	1,334	1,334	1,334	ROA (%)	7.09	7.51	6.96	7.65	8.03
Share premium	3,228	3,228	3,228	3,228	3,228	ROE (%)	16.20	18.69	18.40	20.75	21.90
Reserves & others, net	0	0	0	0	0	Liquidity ratios					
Retained earnings	1,115	1,837	2,283	3,094	4,050	Current ratio (x)	1.98	1.74	2.03	1.99	1.97
Minority interests	0	0	0	0	0	Quick ratio (x)	0.58	0.65	0.87	0.89	0.94
Total shareholders' equity	5,678	6,399	6,845	7,657	8,612	Leverage Ratios					
Total equity & liabilities	13,412	16,669	18,337	20,993	23,346	Liabilities/Equity ratio (x)	1.36	1.60	1.68	1.74	1.71
Key Assumptions						Net debt/EBITDA (x)	3.02	3.36	3.66	3.75	3.67
SG&A to sales (%)	5.3%	5.7%	5.9%	6.0%	5.9%	Net debt/equity (x)	0.89	1.19	1.22	1.34	1.35
Revenue breakdown per outlet (Btmn)						Int. coverage ratio (x)	5.08	4.52	4.11	3.98	3.99
Gold retail	108	108	114	118	124	Growth					
Sales contract	4	3	4	4	4	Revenue (%)	1.00	10.96	8.07	9.99	7.38
Revenue proportion by channels (%)						EBITDA (%)	16.33	35.52	0.72	20.20	15.29
Gold retail	99.00%	98.29%	97.75%	97.38%	96.89%	Reported net profit (%)	21.14	31.38	7.96	23.45	18.40
Sales contract	1.00%	1.71%	2.25%	2.62%	3.11%	Reported EPS (%)	21.14	31.38	7.96	23.45	18.40
						Core profit (%)	15.28	34.86	7.67	23.45	18.40
						Core EPS (%)	15.28	34.86	7.67	23.45	18.40

Source: Company, KS Research

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