

21 August 2014

## Karmarts - KAMART

### 2QFY14 results in line with forecasts

#### THAILAND | COMM | TRADE FLASH

##### BLOOMBERG KAMART TB | REUTERS KAMART.BK

- KAMART reported 2QFY14 in-line net profit of Bt46mn, up 28% y-y and 14% q-q boosted by growth in sales of cosmetics and consumer products and better gross profit margin. EPS came in at Bt0.07/share.
- The 1HFY14 net profit accounted for 46% of our full-year target of Bt190mn for KAMART. Given that 2HFY14 earnings would be better than 1HFY14 on the prospects of a gradual recovery in consumption especially in 4QFY14, we leave our full-year profit view for KAMART unchanged.
- We remain bullish on the earnings outlook for KAMART. Following results announcement, KAMART declared a 2QFY14 dividend of Bt0.06/share, translating into a yield of roughly 4% on an annualized basis. The stock will go ex-dividend (XD) on Aug 26, and the dividend is scheduled to be paid on Sep 12, 2014. We keep a 'BUY' call on KAMART shares with a FY15 target price of Bt7.00/share.

KAMART reported 2QFY14 in-line net profit of Bt46mn, up 28% y-y and 14% q-q boosted by growth in sales of cosmetics and consumer products and better gross profit margin. EPS came in at Bt0.07/share. In this period, sales and service income rose by 8% y-y and 14% q-q to Bt233mn boosted by the nascent recovery of consumption from 1QFY14 and sales boosting efforts via advertising, sales promotions and more distribution through modern trade channel.

##### How we view this

The quarterly net profit nearly matched our forecast of Bt43mn as revenue and margin came in line with our estimates. Sales growth and the increased proportion of high-margin modern trade sales led KAMART to achieve better gross profit margin of 52.9% in 2QFY14 against 46.7% and 49.9% in 2QFY13 and 1QFY14 respectively. Net profit margin could be maintained at 19.2% in 2QFY14 against 16.1% and 19.2% in 2QFY13 and 1QFY14 respectively as SG&A expenses were tightly controlled despite a slight y-y and q-q drop in other income.

In 1HFY14, net profit clocked in at Bt87mn, accounting for 46% of our full-year target for KAMART. Given that 2HFY14 earnings would be better than 1HFY14 on the prospects of a gradual recovery in consumption especially in 4QFY14, traditionally the peak spending season and sales promotions, we leave our FY14 net profit outlook for KAMART unchanged at Bt190mn, up 18% y-y.

##### Investment Action

We remain bullish on the earnings outlook for KAMART. Following results announcement, KAMART declared a 2QFY14 dividend of Bt0.06/share, translating into a yield of roughly 4% on an annualized basis. The stock will go ex-dividend (XD) on Aug 26, and the dividend is scheduled to be paid on Sep 12, 2014. We keep a 'BUY' call on KAMART shares with a FY15 target price of Bt7.00/share.

Rating: **Buy**  
Unchange

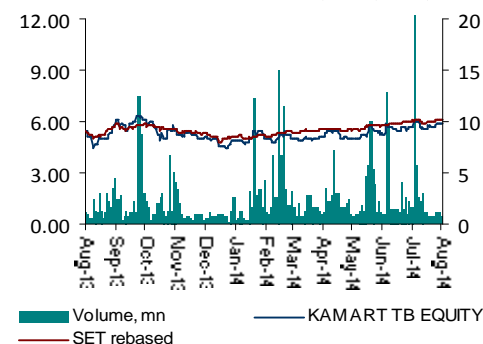
Target Price (Bt) **7.00**  
Forecast Dividend (Bt) 0.24  
Closing Price (Bt) 5.85  
Potential Upside **23.8%**

##### Company Description

KAMART engages in the import and distribution of consumer goods, cosmetics and beauty related products under brand name "Kamarts".

##### Company Data

Raw Beta (Past 2yrs weekly data) 1.66  
Market Cap. (USDmn / Btmn) 121 / 3858  
Ent. Value (USDmn / Btmn) 121 / 3879  
3M Average Daily T/O (mn) 2.6  
Closing Px in 52 week range 4.34 - 6.70



Major Shareholders as of 28/5/14 (%)

1. MR. WIWAT THEEKHAKHIRIKUL 23.1
2. UBS AG SINGAPORE BRANCH 6.2
3. MRS. CHALAO WATTANASOMBAT 5.6

CG Report - 2013  
NR

Valuation Method  
PEG'15 (1x)

Analyst  
Chantaramanee Tavivorakiat  
Capital Market Investment Analyst #046866  
Tel. 662-2-635-1700 Ext. 488

Industry Group Name	Sector Name	Sector Index
Agro & Food Industry [AGRO]	Agribusiness	AGRI
	Food & Beverage	FOOD
Consumer Products [CONSUMP]	Fashion	FASHION
	Home & Office Products	HOME
	Personal Products & Pharmaceuticals	PERSON
Financials [FINCIAL]	Banking	BANK
	Finance & Securities	FIN
	Insurance	INSUR
Industrials [INDUS]	Automotive	AUTO
	Industrail Materials & Machinery	IMM
	Packaging	PKG
	Paper & Printing Materials	PAPER
	Petrochemicals & Chemicals	PETRO
	Steel	STEEL
Property & Construction [PROPCON]	Construction Materials	CONMAT
	Construction Services	CONS
	Property Development	PROP
	Property Fund & REITs	FP&REIT
Resources [RESOURC]	Energy & Utilities	ENERG
	Mining	MINE
Services [SERVICE]	Commerce	COMM
	Media & Publishing	MEDIA
	Health Care Services	HEALTH
	Tourism & Leisure	TOURISM
	Professionl Services	PROF
	Transportation & Logistics	TRANS
Technology [TECH]	Electronic Components	ETRON
	Information & Communication Technology	ICT

**Fundamental:**

<b>Name</b>	<b>Analyst Reg No.</b>	<b>Tel</b>	<b>Sector</b>
Sasikorn Charoensuwan, CFA, CAIA	Capital Market Investment Analyst#9744	662 635 1700#480	Consumer, Commerce
Rutsada Tweesaengsakulthai	Securities Investment Analyst#17972	662 635 1700#482	ICT, Energy, Health Care
Danai Tunyaphisitchai, CFA	Capital Market Investment Analyst #2375	662 635 1700#481	Construction Materials, Property Development
Naree Apisawaittakan	Securities Investment Analyst #17971	662 635 1700#484	Agro & Food, Electronics
Siam Tiyanont	Securities Investment Analyst #17970	662 635 1700#483	Transportation, Media & Publishing, Tourism
Ornmongkol Tantitanatorn	Capital Market Investment Analyst #34100	662 635 1700#491	Automotive, Energy, Packaging
Adisorn Muangparnchon	Securities Investment Analyst #18577	662 635 1700#497	Banking, Securities & Finance, Insurance
Chantaramanee Tavivorakiat	Capital Market Investment Analyst #46866	662 635 1700#488	
Vichuda Siriployprakray	Securities Investment Analyst #55956	662 635 1700#525	
Suthanuch Chaisumrej	Assistant Analyst		
Chitphan Kwanchit	Assistant Analyst		

**Strategy:**

Teerada Charnyingyong	Securities Investment Analyst #9501	662 635 1700#487
Chutikarn Santimetvirul	Derivatives Investment Analyst #37928	662 635 1700#491
Werajak Jungkiatkajorn	Capital Market Investment Analyst #28087	662 635 1700#495
Rittiporn Songsermsawad	Assistant Analyst	
Phoobate Wiriyayuttama	Assistant Analyst	

**Technical:**

Sasima Hattakitnikorn	Securities Investment Analyst #8328	662 635 1700#490
Kanoksak Vutipan	Capital Market Investment Analyst #32423	662 635 1700#485






**Database & Production:**

Manunpat Yuenyongwatanakorn
Sutiporn Oupkaew

**Translation:**

Chaiyot Ingkhasorarat
Naowarat Angurasuchon

**Results Presentation**

<b>Score Range</b>	<b>Number of Logo</b>
Less than 50	No logo given
50 - 59	
60 - 69	
70 - 79	
80 - 89	
90 - 100	

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### **Bangkok Offices**

Head Office	15th Fl., Vorawat Bldg. Tel : 0 2635 1700 , 0 2268 0999
Srinakarindr	17th Fl., Modernform Tower Tel : 0 2722 8344-53
Viphavadi	15th Fl., Lao Peng Nguan Tower 1 Tel : 0 2618 8400
Yaowarat	19th Fl., Kanchanadhat Bldg. Tel : 0 2622 7833
Bangkapi 1	8th Fl., The Mall Office Tower-Bangkapi Tel : 0 2363 3263
Bangkapi 2	9th Fl., The Mall Office Tower-Bangkapi Tel : 0 2363 3269
Hua Lumphong	4th Fl., Tang Hua Pak Bldg., 320 Rama 4 Rd. Tel : 0 2639 1200
Rangsit	G Fl., Room#PLZ.G.SHP065A Future Park Rangsit Tel : 0 2958 5040
Sindhorn	19th Fl., Sindhorn Tower 3 Building, Tel : 0 2650 9717
Siam Discovery	11st Floor, Unit A2, Siam Tower, Tel : 02 658 0776

### **Provincial Offices**

Chaing Mai	313/15 Moo6 Chaing Mai – Lamphun Nong Hoi, Tel 053-141969
Khon Kaen	4th Fl., Kow Yoo Hah Bldg. Tel : 0 4332 5044-8
Khon Kaen - Rim Bueng	3rd Fl., Arokaya Bldg., Tel : 0 4322 6026
Phisanulok	2nd Fl., Thai Sivarat Bldg., Tel : 0 5524 3646
Had Yai	4th Fl., Southland Rubber Bldg., Tel : 0 7423 4095-99110
Had Yai - Petkasem	3rd Fl., Unit 3D, Redar Group Bldg., Tel : 0 7422 3044
Suratthan	62/9 Donnok Rd., Tel : 077 206 131
Chumporn Investor Center	25/45 Krom Luang Chumporn Rd., Tel : 0 7757 0652-3

### **Overseas Offices**

SINGAPORE	Phillip Securities Pte Ltd Raffles City Tower Tel : (65) 6533 6001 www.poems.com.sg
HONG KONG	Phillip Securities (HK) Ltd 11/F United Centre 95 Queensway, Tel (852) 22776600 www.phillip.com.hk
MALAYSIA	Phillip Capital Management Sdn Bhd, Block B Level 3 Megan Avenue II Tel (603) 21628841 www.poems.com.my
JAPAN	Phillip Securities Japan, Ltd 4-2 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo Tel (81-3) 36662100
INDONESIA	PT Phillip Securities Indonesia ANZ Tower Level 23B, Tel (62-21) 57900800 www.phillip.co.id
CHINA	Phillip Financial Advisory (Shanghai) Co. Ltd Ocean Tower Unit 2318 Tel (86-21) 51699200 www.phillip.com.cn
FRANCE	King & Shaxson Capital Limited 3rd Flr, 35 Rue de la Bienfaisance Tel (33-1) 45633100 www.kingandshaxson.com
UNITED KINGDOM	King & Shaxson Capital Limited 6th Flr, Candlewick House, Tel (44-20) 7426 5950 www.kingandshaxson.com
UNITED STATES	Phillip Futures Inc The Chicago Board of Trade Building Tel +1.312.356.9000
AUSTRALIA	PhillipCapital Australia Level 37, Collins Street, Melbourne, Tel (613) 96298380 Fwww.phillipcapital.com.au
SRI LANKA	Asha Phillip Securities Ltd Level 4, Millennium House, Tel: (+94) 11 2429 100 apsl@ashaphillip.net
TURKEY	Hak Menkul Kiyemetler A.Ş Dr.Cemil Bengü Cad. Tel: (+90) (212) 296 84 84 (pbx) hakmenkul@hakmenkul.com.tr
INDIA	PhillipCapital (India) Private Limited No. 1, C- Block, 2nd Floor, Modern Center , Jacob Circle, K. K. Marg, Mahalaxmi Mumbai 400011 Tel: (9122) 2300 2999 Website: www.phillipcapital.in
DUBAI	PhillipCapital (India) Pvt Ltd.601, White Crown Building Plot no 58, Sheikh Zayed Road P.O, Box 212291, Dubai UAE. Mahalaxmi Mumbai 400011 Tel: (9122) 2300 2999 Website: www.phillipcapital.in
CAMBODIA	Building No71, St 163, Sangkat Toul Svay Prey I, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia Tel: (855) 23 217 942 Website: www.kredit.com.kh

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