

### COMPANY RESULTS

## Malee Group (MALEE TB)

3Q19: Lower Loss

**Malee reported 3Q19 loss at Bt35m, improved yoy and qoq, thanks to lower SG&A expense and higher qoq gross margin. However, we think losses would continue for several quarters as there are no catalysts to drive strong sales growth. Maintain SELL. Target price: Bt6.30.**

### 3Q19 RESULTS

Year to 31 Dec (Btm)	3Q18	2Q19	3Q19	yoy % chg	qoq % chg	Remarks
Sales	1,204	1,240	1,205	0	-3	Sales flat yoy, impacted by new accounting standard
Gross profit	249	171	213	-14	25	
SG&A expense	402	242	234	-42	-3	
Other income	13	8	18	35	114	
EBIT	-143	-67	-27	-81	-59	
EBT	-159	-84	-46	-71	-46	
Net profit	-124	-63	-35	-72	-45	
<b>Ratio (%)</b>						
Gross margins	21%	14%	18%			
EBITDA margins	-8%	-1%	3%			
Net margins	-10%	-5%	-3%			
DE-x	1.82	2.19	2.46			

Source: Malee, UOB Kay Hian

### RESULTS

**3Q19 still a loss.** Malee reported 3Q19 net loss of Bt35m, improved yoy and qoq, thanks to lower SG&A expense and higher qoq gross margin. This loss was lower than our estimate. Impacted by a new accounting standard, 3Q19 sales were flat yoy (domestic: 60%, -11% yoy; overseas: 40%, +25% yoy). Gross margin was 18% (3Q18: 21%), impacted by the new accounting standard and higher depreciation cost. Cost-to-income ratio was 19%, down slightly from 20% in 2Q19. Debt-to-equity ratio was 2.46x, up from 2.2x in 2Q19.

### KEY FINANCIALS

Year to 31 Dec (Btm)	2017	2018	2019F	2020F	2021F
Net turnover	5,916	5,349	5,128	5,348	5,614
EBITDA	304	(353)	(193)	(65)	(21)
Operating profit	304	(353)	(193)	(65)	(21)
Net profit (rep./act.)	286	(273)	(201)	(169)	(154)
Net profit (adj.)	286	(273)	(201)	(169)	(154)
EPS (Bt)	1.0	(1.0)	(0.7)	(0.6)	(0.5)
PE (x)	6.5	n.m.	n.m.	n.m.	n.m.
P/B (x)	1.2	1.6	2.2	2.6	2.8
EV/EBITDA (x)	13.8	n.m.	n.m.	n.m.	n.m.
Dividend yield (%)	7.7	0.0	0.0	(4.5)	(4.1)
Net margin (%)	4.8	(5.1)	(3.9)	(3.2)	(2.7)
Net debt/(cash) to equity (%)	99.4	193.0	266.1	338.4	394.3
Interest cover (x)	13.7	(5.9)	(2.6)	(0.6)	(0.2)
ROE (%)	17.9	n.a.	n.a.	n.a.	n.a.
Consensus net profit	-	-	(192)	(89)	18
UOBKH/Consensus (x)	-	-	1.05	1.89	n.m.

Source: Malee, Bloomberg, UOB Kay Hian

## SELL

(Maintained)

Share Price	Bt6.65
Target Price	Bt6.30
Upside	-5.3%

### COMPANY DESCRIPTION

A manufacturer and distributor of beverage products for health- and beauty-conscious consumers.

### STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	MALEE TB
Shares issued (m):	276.0
Market cap (Btm):	1,835.4
Market cap (US\$m):	60.7
3-mth avg daily t'over (US\$m):	0.1

### Price Performance (%)

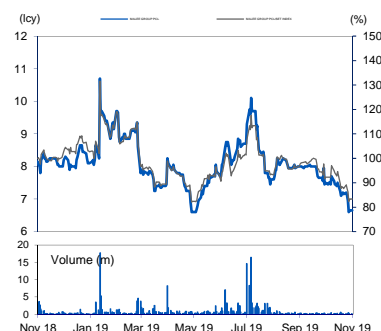
52-week high/low	Bt10.70/Bt6.60				
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>	
(11.9)	(10.7)	(3.6)	(26.1)	(16.9)	

### Major Shareholders

	<b>%</b>
Abico Holdings Pcl	26.8
Kamonchat Jeungrunreungkit	17.3
Thai NVDR	3.0

FY19 NAV/Share (Bt)	3.04
FY19 Net Debt/Share (Bt)	8.08

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### STOCK IMPACT

- **Losses to continue into 2020.** We maintain our view that losses would continue for several quarters as there are no catalysts to drive strong sales growth. MALEE is likely to raise capital in the near future as its debt-to-equity-ratio would be near 3.0x in 2020.

### EARNINGS REVISION/RISK

- We reduce our 2019-20 net profit forecasts to reflect the lower-than-expected loss in 3Q19.

### EARNINGS REVISION

	2018	-----2019F-----		-----2020F-----	
		Old	New	Old	New
Net loss (Btm)	273	253	201	180	169
% chg		30	21	255	6
yoy % chg	-195	-7	26	-29	16
Sales growth (%)	-10		-4	7	4
Gross margin (%)	22	16	17	18	18

Source: UOB Kay Hian

### VALUATION/RECOMMENDATION

- Maintain SELL and target price at Bt6.30, pegged at 2.4x 2020F P/B, or -0.5SD to its 5-year mean.

### SHARE PRICE CATALYST

- Higher overseas sales.
- New sources of revenue.

### P/B BAND



### PROFIT & LOSS

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Net turnover	5,349	5,128	5,348	5,614
EBITDA	(353)	(193)	(65)	(21)
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	(353)	(193)	(65)	(21)
Total other non-operating income	47	13	0.0	0.0
Associate contributions	(15)	(4.8)	(5.3)	(5.9)
Net interest income/(expense)	(60)	(73)	(118)	(127)
<b>Pre-tax profit</b>	<b>(380)</b>	<b>(257)</b>	<b>(188)</b>	<b>(154)</b>
Tax	106	55	19	0.0
Minorities	2.0	1.7	0.0	0.0
<b>Net profit</b>	<b>(273)</b>	<b>(201)</b>	<b>(169)</b>	<b>(154)</b>
Net profit (adj.)	(273)	(201)	(169)	(154)

### CASH FLOW

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
<b>Operating</b>	<b>151</b>	<b>231</b>	<b>193</b>	<b>193</b>
Pre-tax profit	(275)	(201)	(169)	(154)
Deprec. & amort.	216	205	196	188
Working capital changes	164	227	166	159
Other operating cashflows	46	0.0	0.0	0.0
<b>Investing</b>	<b>(360)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>
Capex (growth)	(92)	(100)	(100)	(100)
Others	(268)	0.0	0.0	0.0
<b>Financing</b>	<b>231</b>	<b>94</b>	<b>80</b>	<b>(45)</b>
Dividend payments	(69)	0.0	47	82
Issue of shares	(114)	0.0	0.0	0.0
Proceeds from borrowings	530	187	150	0.0
Others/interest paid	(116)	(93)	(118)	(127)
<b>Net cash inflow (outflow)</b>	<b>22</b>	<b>225</b>	<b>172</b>	<b>48</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>100</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Changes due to forex impact	0.1	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>122</b>	<b>225</b>	<b>172</b>	<b>48</b>

### BALANCE SHEET

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Fixed assets	332	280	280	280
Other LT assets	2,475	2,408	2,461	2,481
Cash/ST investment	122	225	172	48
Other current assets	1,776	1,801	1,878	1,971
<b>Total assets</b>	<b>4,704</b>	<b>4,714</b>	<b>4,792</b>	<b>4,780</b>
ST debt	1,702	1,488	1,788	1,838
Other current liabilities	816	972	1,011	1,057
LT debt	599	1,000	850	800
Other LT liabilities	334	294	305	318
Shareholders' equity	1,128	850	729	657
Minority interest	126	110	110	110
<b>Total liabilities &amp; equity</b>	<b>4,704</b>	<b>4,714</b>	<b>4,792</b>	<b>4,780</b>

### KEY METRICS

Year to 31 Dec (%)	2018	2019F	2020F	2021F
<b>Profitability</b>				
EBITDA margin	(6.6)	(3.8)	(1.2)	(0.4)
Pre-tax margin	(7.1)	(5.0)	(3.5)	(2.7)
Net margin	(5.1)	(3.9)	(3.2)	(2.7)
ROA	n.a.	n.a.	n.a.	n.a.
ROE	n.a.	n.a.	n.a.	n.a.
<b>Growth</b>				
Turnover	(9.6)	(4.1)	4.3	5.0
EBITDA	(216.0)	n.a.	n.a.	n.a.
Pre-tax profit	(214.5)	n.a.	n.a.	n.a.
Net profit	(195.4)	n.a.	n.a.	n.a.
Net profit (adj.)	(195.4)	n.a.	n.a.	n.a.
EPS	(195.4)	n.a.	n.a.	n.a.
<b>Leverage</b>				
Debt to total capital	64.7	72.2	75.9	77.5
Debt to equity	203.8	292.6	362.0	401.6
Net debt/(cash) to equity	193.0	266.1	338.4	394.3
Interest cover (x)	(5.9)	(2.6)	(0.6)	(0.2)