

21 December 2012

MAI

# DNA

## DNA 2002

Current	Previous	IPO Price
--	--	1.90

2013 Target	Exp Return	Support	Resistance
2.34	+23.2%	--	--

### IPO details

Issuer	DNA		
No. of IPO (mn shares)	160 mn shares		
Offering Price (Bt)	1.90		
Par Value (Bt)	0.25		
Offering Period	December 12-14, 2012		
Lead Underwriter	Country Group		
Financial Advisor	Finnex Advisory		

### Home entertainment business to grow in tandem with expansion of modern retail trade

DNA is a distributor of home entertainment products. The company's products include movies and music in DVD, VCD, CD and Blu-ray formats. DNA currently has 1,432 retail outlets and stalls at modern retail trade stores nationwide. For 2012-2013E, our forecasts call for the company's net profit to show an average growth rate of 45% per year. Meanwhile, we expect DNA's sales to increase by 28% Y-Y in 2012E. Looking ahead to 2013E, we anticipate that the company's sales growth will accelerate to 45% Y-Y due to the full-year contribution from the 131 retail outlets that were added to the company's network in mid-3Q12. Another driver for DNA's sales growth is likely to be the continuation of the network expansion through modern retail trade stores and convenience stores in 2013E. Finally, our 2013E target price (TP) for DNA is Bt2.34.

### Consolidated earnings

(Bt mn)	2010	2011	2012E	2013E
Normalized profit	20	24	63	106
Net profit	20	24	63	106
EPS (Bt)-Norm	0.06	0.08	0.10	0.17
EPS (Bt)	0.06	0.08	0.10	0.17
% EPS growth	na	18.9	30.3	69.2
Dividend (Bt)	0.00	0.00	0.04	0.06
BV/share (Bt)	0.29	0.36	0.70	0.79
EV/EBITDA (x)	nm	nm	nm	Nm
PER (x) - Norm	nm	nm	nm	Nm
PER (x)	nm	nm	nm	Nm
PBV(x)	nm	nm	nm	Nm
Dividend yield (%)	nm	nm	nm	Nm
YE No. of shares (mn)	160	320	640	640
No. of shares- full dilution	160	320	640	640
Par (Bt)	0.25	0.25	0.25	0.25

Source: Company data, FSS estimates

### Distributor of home entertainment products

Out of DNA's total revenue, 98% comes from the company's sales of home entertainment products. These can be divided into two categories, i.e. (1) movies and music in DVD, VCD, CD and Blu-ray formats that account for 88% of the revenue from its home entertainment business; and (2) print media that accounts for the remaining 12% of its revenue.

### Nationwide network comprises 1,432 retail outlets

Around 70% of DNA's sales revenue comes from its 365 retail outlets under the "DNA Enjoy Everyday" brand, which can be found at department stores and other modern retail trade stores nationwide. Meanwhile, the company also has 1,067 stalls at outlets of Lotus Express, Big C Extra, Big C Mini and CP Food Market that together generate 29% of its sales revenue. Finally, the remaining 1% of its sales revenue comes from wholesale transactions with retailers, including 7-11, B2S and Mangpong.

### Expect double-digit net profit growth in 2012-2013E

For 9M12, DNA's net profit soared by 108% Y-Y to Bt43mn. Looking ahead to 4Q12E, the company's net profit is likely to show another gain due to seasonal factors and the full-quarter benefit from the fact that the company took over the leases for 131 retail outlets in mid-3Q12 that had previously been operated by one of its competitors. For full-year 2012E, our forecast that calls for DNA's net profit to surge by 161% Y-Y to Bt63mn is based on the following three assumptions. First, we project that the company's sales will

**Note: FSS acted as a underwriter for the initial public offering (IPO) of DNA 2002 Pcl.**

Investors are advised to thoroughly study all details listed in the prospectus prior to making any investment.

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grow by 28% Y-Y to Bt1.41bn in 2012E. Second, the company's 2012E gross margin is likely to widen to 27.9% (vs. 26.3% in 2011). Finally, its tax expense will decrease on a Y-Y basis this year. Meanwhile, we expect DNA's 2012E EPS to increase by 30% Y-Y, which includes the EPS dilution from its capital increase. For 2013E, DNA's net profit is likely to show a gain of 69% Y-Y owing to the following factors. First, we expect the company's 2013E revenue to rise by 45% Y-Y to Bt2.04bn due to the full-year benefits from the aforementioned operation of the 131 branches that were added to its network in mid-3Q12, as well as the projected 10% - 20% increase in its number of retail outlets located at modern trade retail stores and convenience stores. Moreover, its revenue that comes from wholesale transactions with retailers is likely to expand. Second, DNA's gross margin is expected to widen to 28.5% in 2013E. Finally, the company's tax rate is likely to decrease by 3% Y-Y next year.

#### **Our 2013E TP of Bt2.34 assumes PER of 14x**

Based on a 2013E PER of 14x, our 2013E target price (TP) for DNA is Bt2.34. Note that our 2013E PER of 14x is higher than the average market PER of 12.2x for the stocks under our coverage because we expect DNA's EPS to show an average growth rate of 49.8% per annum during 2012-2013E. However, our 2013E PER assumption for DNA of 14x is lower than the media sector's average 2013E PER of 18x, as we see think the company's rapid network expansion could bring about inventory risks. Finally, our estimate for DNA's 2013E ROE of 20.9% is also lower than the media sector's average 2013E ROE of 33.5%.

**Income Statement (Consolidated)**

(Bt mn)	2009	2010	2011	2012E	2013E
Revenue	739	941	1,102	1,406	2,038
Costs of sales	559	712	812	1,014	1,457
Gross profit	180	229	289	392	581
SG&A costs	187	212	260	332	473
Operating profit	-6	17	29	60	108
Other income	12	11	11	25	26
EBIT	5	28	40	85	135
EBITDA	30	61	80	142	202
Interest charge	2	1	1	2	2
Tax on income	0	7	14	20	27
Earnings after tax	3	20	25	63	106
Minority interests	0	0	0	0	0
Normalized earnings	3	20	24	63	106
Extraordinary items	0	0	0	0	0
Net profit	3	20	24	63	106

**Cash Flow Statement (Consolidated)**

(Bt mn)	2009	2010	2011	2012E	2013E
Net profit	na	20	24	63	106
Depreciation & amortization	na	33	40	57	67
Change in working capital	na	36	-21	-236	-79
Other adjustments	na	0	1	0	0
Cash flow from operation	na	89	44	-117	95
Capital expenditure	na	-66	-63	-60	-60
Others	na	-1	-13	-4	-8
Cash flow from investing	na	-67	-76	-64	-68
Free cash flow	na	22	-31	-181	26
Net borrowings	na	-42	22	-5	4
Equity capital raised	na	40	0	296	0
Dividends paid	na	0	-3	-30	-43
Others	na	0	0	0	0
Cash flow from financing	na	-2	19	261	-38
Net change in cash	na	20	-9	80	-12

**Balance Sheet (Consolidated)**

(Bt mn)	2009	2010	2011	2012E	2013E
Cash& equivalents	5	24	15	95	83
Account receivable	95	124	123	231	335
Inventory	136	144	215	269	359
Other current asset	8	11	13	28	41
Total current asset	244	304	367	623	818
Investment	4	4	19	19	19
PPE	39	72	95	99	91
Other asset	18	20	18	22	30
Total assets	306	400	498	762	958
Short term loan loans	47	5	23	15	0
Accounts payable	206	268	340	278	399
Current maturities	2	1	0	0	0
Other current liabilities	11	26	10	13	18
Total current liabilities	266	301	373	306	418
Long-term debt	1	0	0	0	20
Other LT liabilities	4	5	10	10	10
Total LT liabilities	6	5	10	10	30
Total liabilities	272	306	383	316	448
Registered capital	40	80	110	160	160
Paid up capital	40	80	80	160	160
Share premium	0	0	0	216	216
Legal reserve	0	0	0	6	6
Retained earnings	-6	14	35	64	128
Minority Interest	0	0	0	0	0
Shareholders' equity	34	94	115	446	510

**Important Ratios (Consolidated)**

	2009	2010	2011	2012E	2013E
<b>Growth (%)</b>					
Revenues	na	27.3	17.0	27.6	45.0
EBITDA	na	102.7	31.0	76.9	42.6
Net profit	na	506.2	18.9	160.6	69.2
Norm profit	na	506.2	18.9	160.6	69.2
<b>Profitability Ratios (%)</b>					
Gross profit margin	24.4	24.3	26.3	27.9	28.5
EBITDA margin	4.1	6.5	7.3	10.1	9.9
EBIT margin	0.7	3.0	3.6	6.1	6.6
Normalized profit margin	0.5	2.2	2.2	4.5	5.2
Net profit margin	0.5	2.2	2.2	4.5	5.2
Normalized ROA	1.1	5.1	4.8	8.2	11.1
Normalized ROE	9.9	21.5	21.0	14.1	20.9
Normalized ROCE	13.7	28.2	31.7	18.6	24.9
<b>Risk (x)</b>					
D/E (x)	8.0	3.3	3.3	0.7	0.9
Net D/E (x)	7.9	3.0	3.2	0.5	0.7
Net debt/EBITDA	8.9	4.6	4.6	1.6	1.8
<b>Per share data (Bt)</b>					
Reported EPS	0.02	0.06	0.08	0.10	0.17
Norm EPS	0.02	0.06	0.08	0.10	0.17
EBITDA	0.19	0.19	0.25	0.22	0.32
FCF	6.41	0.07	-0.10	-0.28	0.04
Book value	0.21	0.29	0.36	0.70	0.80
Dividend	0.00	0.00	0.00	0.04	0.07
Par	0.25	0.25	0.25	0.25	0.25
<b>Valuations (x)</b>					
P/E	nm	nm	nm	nm	Nm
Norm P/E	nm	nm	nm	nm	Nm
P/BV	nm	nm	nm	nm	Nm
EV/EBTDA	nm	nm	nm	nm	Nm
Dividend yield (%)	nm	nm	nm	nm	Nm

Source: Company data, FSS research

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Meungsamutsakorn,  
Samutsakorn

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Muang, Chachoengsao

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Muang  
Chiangmai

**Chiangmai 2**

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Chang Klan R., Chang Klan  
Muang  
Chiangmai

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311/16 2nd Floor, Klangmeung  
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Aumphoe Meung,  
Khonkaen

**Khonkaen 2**

26/9 Moo 7 2nd Floor,  
Srijan new Road, Tumbon  
Nai Meung, Aumphoe Meung,  
Khonkaen

**Measai**

119 Moo 10,  
Tumbon Maesai,  
Aumphoe Muang, Cheangrai

**Suratthani**

173/83-84 Moo 1  
Watpho-Bangyai Road.,  
Tumbon Makamtia,  
Aumphoe Mueang, Suratthani

**Hatyai 1**

29 Lee Garden Plaza Hotel,  
6th Floor, Unit 601/3,  
Prachathipat Road, Tumbon  
Hatyai, Aumphoe Hatyai, Songkhla

**Hatyai 2**

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Hotel, Prachathipat Road,  
Aumphoe Hadyai, Songkhla

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Aumphoe Meungtrang, Trang

**Krabi**

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Tumbon Paknam,  
Aumphoe Meung, Krabi

**Pattane**

300/69-70 Moo 4,  
Tumbon Ruramirae,  
Aumphoe Meung, Pattane

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104/6, 2 fl., ICBC Bank Tower  
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Aumphoe Muang Udon Thani,  
Udon Thani

**Khonkaen**

4/6, 2 fl., ICBC Bank Tower  
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Aumphoe Meung Khonkaen,  
Khonkaen

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**Recommendation Definitions**

BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected to be driven by short-term positive factors
OVERWEIGHT	The estimated return is higher than the market average.
NEUTRAL	The estimated return is the same as the market average.
UNDERWEIGHT	The estimated return is lower than the market average

*Note: The expected return may change as market risks increase or decline.*

**Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2011**


ADVANC	BKI	GRAMMY	LPN	PTTCH**	SC	TIPCO
AOT	BMCL	HEMRAJ	MCOT	PTTEP	SCB	TISCO
BAFS	CPN	ICC	NMG	QH	SCC	TKT
BANPU	CSL	IRPC	PS	RATCH	SE-ED	TMB
BAY	EASTW	KBANK	PSL	ROBINS	SIS	TOP
BBL	EGCO	KK	PTT	RS	THRE	
BCP	ERW	KTB	PTTAR**	SAT	TIP	

**Score Range**

100-90  
80-89  
70-79  
60-69  
50-59  
<50

**Rating**


no logo given

**Description**

Excellent  
Very Good  
Good  
Satisfactory  
Pass  
n/a



ACAP	BROOK	DTC	KCE	MFC	PG	SEAFCO	STEC	TNITY	TYM
AF	BTS	ECL	KEST	MFEC	PHATRA	SFP	SUSCO	TNL	UAC
AMANAH	BWG	FORTH	KGI	MILL	PM	SICCO**	SVI	TOG	UMI
AMATA	CENDEL	GBX	KSL	MINT	PR	SINGER	SYMC	TPC	UP
AP	CGS	GC	KWC	MK	PRANDA	SIRI	SYNTEC	TRC	UPOIC
ASIMAR	CIMBT	GFPT	L&E	MTI	PRG	SITHAI	TASCO	TRT	UV
ASP	CK	GLOW	LANNA	NBC	PT	SMT	TCAP	TRU	VNT
AYUD	CM	HANA	LH	NCH	PYLON	SNC	TFD	TRUE	WACOAL
BEC	CPALL	HMPRO	LOXLEY	NINE	S&J	SPALI	TFI	TSC	WAVE
BECL	CPF	HTC	LRH	NKI	S&P	SPI	THAI	TSTE	ZMICO
BFIT	CSC	IFEC	LST	NOBLE	SABINA	SPPT	THCOM	TSTH	
BH	DELTA	INET	MACO	OCC	SAMCO	SSF	THIP	TTA	
BIGC	DEMCO	INTUCH	MAJOR	OGC	SCCC	SSSC	TIC	TTW	
BJC	DRT	IVL	MAKRO	OISHI	SCG	STA	TK	TUF	
BLA	DTAC	JAS	MBK	PB	SCSMG	STANLY	TMT	TVO	



2S	BAT-3K	CNS	FSS	ITD	MATI	OFM	QLT	SMK	TF	TPIPL	VARO
A	BGT	CNT	GENCO	JTS	MBAX	PAF	RASA	SMM	TGCI	TPP	VIBHA
AEONTS	BLAND	CPI	GFM	JUTHA	M-CHAI	PAP	RCI	SPC	THANA	TR	VNG
AFC	BNC	CPL	GL	KASET	MCS	PATO	RCL	SPC	THANI	TTCL	WG
AGE	BOL	CRANE	GLAND	KDH	MDX	PDI	ROJNA	SST	TICON	TTI	WORK
AH	BROCK	CSP	GLOD	KH	MJD	PHOL	RPC	STAR	TIW	TWFP	YUASA
AHC	BSBM	CSR	GUNKUL	KKC	MOONG	PICO	SAUCE	SUC	TKS	TWZ	
AI	BTNC	CTW	GYT	KMC	MPIC	PL	SCBLIF	SVOA	TLUXE	TYCN	
AIT	CCET	DCC	HFT	KTC	MSC	POST	SCP	SWC	TMD	UBIS	
AJ	CFRESH	DRACO	HTECH	KWH	NC	PPM	SENA	SYNEX	TNH	UEC	
AKR	CHARAN	EASON	IFS	KYE	NEP	PREB	SHANG	TBSP	TNPC	UOBKH	
APRINT	CI	EIC	ILINK	LALIN	NNCL	PRECHA	SIAM	TCB	TOPP	UPF	
APURE	CITY	ESSO	IRC	LEE	NSI	PRIN	SIMAT	TCC	TPA	US	
AS	CMO	FE	IRCP	LHK	NTV	PTL	SKR	TCP	TPAC	UT	
ASK	CMR	FOCUS	IT	MATCH	NWR	Q-CON	SMIT	TEAM	TPCORP	UVAN	

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