Home Product Center (HMPRO TB)

Low-cost Inventory To Continue Supporting Margins

BUY (Maintained)

Share Price	Bt6.70
Target Price	Bt8.00
Upside	19.40%

Analyst(s)
Tanapon Cholkadidamrongkul
Tanapon.c@uobkh.co.th
662 090 3599

Highlights

- The tone at the analyst meeting was slightly positive, with low-cost inventory expected to continue supporting margins in 3Q26.
- The consumer spending environment has improved modestly following the launch of the Thai Help Thai Plus copayment scheme, while concerns over geopolitical tensions have gradually eased.
- Maintain BUY with a target price of Bt8.00, based on a 12-month forward PE of 18x, in line with HMPRO's five-year average of -1SD.

Analysis

- **The tone at the analyst meeting was slightly positive,** with low-cost inventory expected to continue supporting margins in 3Q26. Management noted that the consumer spending environment has improved modestly following the launch of the Thai Help Thai Plus copayment scheme, while concerns over geopolitical tensions have gradually eased. As a result, the company continues to target slight sales growth in 2026 and expects gross margin to expand 70-100bp for 2026.
- **Management confident about gross margin outlook.** Management remains confident that gross margin will continue to improve yoy throughout 2H26, although it is likely to moderate from the exceptionally strong level seen in 2Q26. In particular, 3Q26 should still benefit from low-cost inventory purchased earlier, providing further margin support. Mega Home is expected to deliver stronger gross margin expansion than HomePro during 3Q26.
- **SSSG improved in Jul 26.** HomePro's Jul 26 SSSG came in at -1.5% yoy. However, management indicated that around 70bp of the decline was due to cannibalisation from the newly opened Samui branch. Excluding this impact, HomePro's SSSG would have been only slightly negative, while Mega Home continued to post slightly positive SSSG, supported by higher selling prices and resilient demand from technician customers.
- **More details on 2Q26 results.** Home Product Center (HMPRO) reported a solid 2Q26 net profit growth of 14% yoy, driven by HomePro's earnings growth of 9-10% yoy and an impressive 60% yoy increase from Mega Home. Management highlighted that basket size turned positive across both HomePro and Mega Home, reflecting improving customer spending and a healthier sales mix, while house brand contribution and e-commerce sales continued to improve.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	69,806.4	67,887.6	67,311.5	69,743.5	72,754.6
EBITDA	12,233.3	11,682.9	11,682.9	12,113.4	12,612.4
Operating profit	8,690.7	8,099.7	7,891.3	8,238.6	8,656.3
Net profit (rep./act.)	6,503.6	6,011.4	5,898.3	6,196.8	6,552.3
Net profit (adj.)	6,503.3	6,002.9	5,898.3	6,196.8	6,552.3
EPS	0.5	0.5	0.4	0.5	0.5
PE (x)	13.6	14.7	14.9	14.2	13.4
P/B (x)	3.3	3.4	3.3	3.1	3.0
EV/EBITDA (x)	8.7	9.4	9.1	8.7	8.2
Dividend yield (%)	6.4	5.7	5.6	5.8	6.2
Net margin (%)	9.3	8.8	8.8	8.9	9.0
Net debt/(cash) to equity(%)	67.3	80.8	66.8	59.7	51.0
Interest cover (x)	19.6	17.4	19.4	20.8	22.5
Consensus net profit	n.a	n.a	6,112.2	6,451.4	6,818.2
UOBKH/Consensus (x)	n.a	n.a	1.0	1.0	1.0

Source: Home Product Center, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Consumer Discretionary
Bloomberg ticker:	HMPRO TB
Shares issued (m):	12,947.0
Market cap (Bt$m):	78,329.4
Market cap (US$m):	2,392.2
3-mth avg daily t'over (US$m):	9.8

Price Performance (%)

52-week high/low: Bt8.0/Bt5.8

1mth	3mth	6mth	1yr	YTD
(3.2)	(11.8)	(1.6)	(28.6)	(9.8)

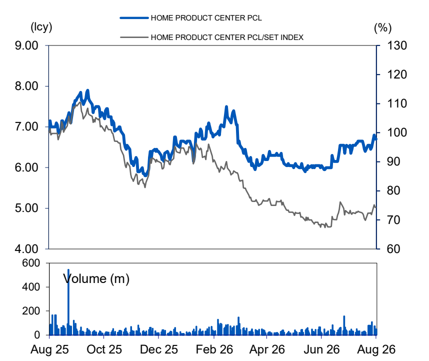
Major Shareholders

	%
Land and House	30.23
Quality House	19.87
Thai NVDR	5.21

Balance Sheet Metrics

FY26 NAV/Share (Bt)	2.1
FY26 Net Debt/Share (Bt)	1.4

Price Chart



Source: Bloomberg

Company Description

Thailand's largest home improvement centre with a nearly 40% market share of the modern trade segment.

2Q26 Results Recap

Year to 31 Dec (Btm)	2Q25	1Q26	2Q26	yoy (%)	qoq (%)	2025	2026F	yoy (%)
Sales and services	16,867	16,514	17,403	3.2	5.4	67,888	65,709	(3.2)
Gross profit	4,502	4,543	4,964	10.3	9.3	18,736	18,237	(2.7)
SG&A	3,192	3,262	3,487	9.2	6.9	13,318	13,023	(2.2)
EBIT	1,900	1,916	2,129	12.0	11.1	8,100	7,896	(2.5)
EBITDA	2,776	2,848	3,087	11.2	8.4	11,683	11,688	0.0
Interest expense	178	171	164	(8.0)	(4.1)	711	704	(1.0)
Corporate income tax	346	346	376	8.5	8.7	1,416	1,379	(2.6)
Net profit	1,399	1,404	1,594	14.0	13.5	6,011	5,854	(2.6)
Percent	2Q25	1Q26	2Q26	(ppts)	(ppts)	2025	2026F	(ppts)
Gross margin	26.7	27.5	28.5	1.8	1.0	27.6	27.8	0.2
SG&A to sales	18.9	19.8	20.0	1.1	0.3	19.6	19.8	0.2
Net profit margin	8.3	8.5	9.2	0.9	0.7	8.9	8.9	0.1

Source: Home Product Center, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a target price of Bt8.00.** Our target price is based on a 12-month forward PE of 18x, in line with HMPRO's five-year average of -1SD. Given HMPRO's laggard valuation, trading at 14x 2026F PE, and its high dividend yield of 5.6%, we maintain our BUY recommendation.

Earnings Revision/Risk

- We fine-tune our 2026-27 earnings forecasts by 0.8% and 1.3% respectively.

Earnings Revision

	2026F			2027F		
(Btm)	New	Previous	Change	New	Previous	Change
Sales revenue	65,331	63,728	2.5%	67,713	66,207	2.3%
Net profit	5,898	5,854	0.8%	6,197	6,119	1.3%

Source: HMPRO, Bloomberg, UOB Kay Hian

Share Price Catalyst

- **Catalyst:** Attractive valuation, high dividend yield.
- **Share buyback programme progressing.** Under its second share buyback programme, HMPRO has repurchased 62.6m shares, equivalent to 0.5% of total shares outstanding and 15.9% of the maximum buyback target. We expect HMPRO to pay an interim dividend of Bt0.16 per share in Sep 26, implying a 2.4% dividend yield.

Environment, Social, Governance (ESG) Updates

CG Report: 5, SET ESG Rating: AA

Environmental

- **Net zero target.** HMPRO's main goal is to become a net zero greenhouse gas emissions company by 2050.

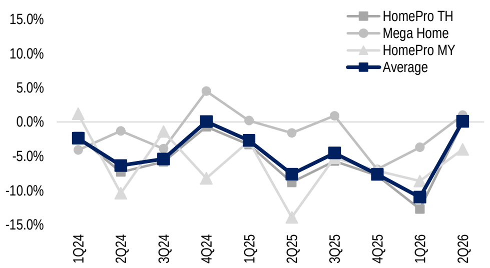
Social

- **Sustainability supply chain.** HMPRO implemented sustainable development across the entire supply chain by creating innovative eco-friendly products and hiring local talent through 2,650 teams.

Governance

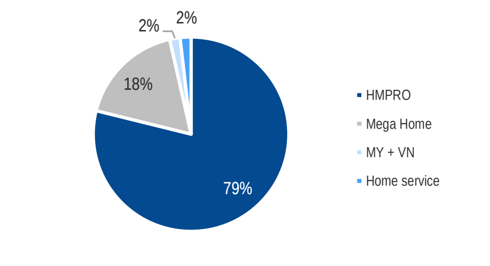
- **Good governance practice.** HMPRO is committed to extending good corporate governance through the company supply chain to fight against corruption.

Same-Store Sales



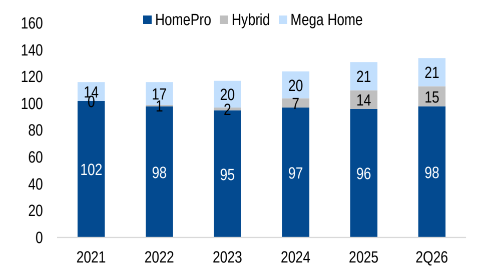
Source: HMPRO, UOB Kay Hian

Sales Contribution (2025)



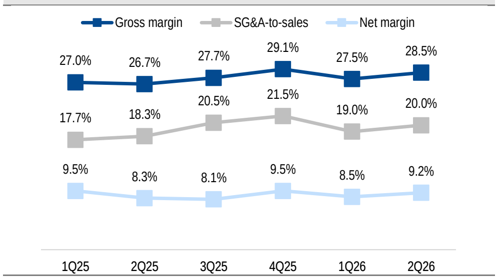
Source: HMPRO, UOB Kay Hian

Stores



Source: HMPRO, UOB Kay Hian

Net Profit



Source: HMPRO, UOB Kay Hian

Peers' PE Band

Peers	-2SD	-1SD	Mean	+1SD	+2SD
BJC	14.9	19.6	24.2	28.9	33.6
CPALL	7.5	17.3	27.2	37.1	47.0
CPAXT	12.1	23.6	35.1	46.6	58.1
CPN	7.8	13.6	19.3	25.1	30.8
CRC	10.3	16.5	22.8	29.1	35.3
DOHOME	-1.5	18.7	39.0	59.2	79.4
GLOBAL	14.6	21.8	29.0	36.1	43.3
HMPRO	11.0	17.7	24.4	31.0	37.7
Average	9.6	18.6	27.6	36.6	45.7
Modern Grocery	10.5	18.1	25.7	33.3	41.0
Home Improvement	8.0	19.4	30.8	42.1	53.5

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	67,888	67,312	69,743	72,755
EBITDA	11,683	11,683	12,113	12,612
Deprec. & amort.	3,583	3,792	3,875	3,956
EBIT	8,100	7,891	8,239	8,656
Total other non-operating income	0	0	0	0
Associate contributions	(1)	0	0	0
Net interest income/(expense)	(671)	(603)	(582)	(560)
Pre-tax profit	7,428	7,288	7,657	8,096
Tax	(1,416)	(1,390)	(1,460)	(1,544)
Minorities	0	0	0	0
Net profit	6,011	5,898	6,197	6,552
Net profit (adj.)	6,003	5,898	6,197	6,552

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	47,057	42,897	42,297	41,617
Other LT assets	1,384	1,389	1,415	1,482
Cash/ST investment	4,488	6,511	6,872	7,889
Other current assets	17,720	17,565	18,207	18,989
Total assets	70,648	68,362	68,790	69,977
ST debt	12,959	12,959	12,959	12,959
Other current liabilities	17,325	15,175	15,033	15,658
LT debt	12,626	11,626	10,826	10,026
Other LT liabilities	1,642	1,558	1,637	1,717
Shareholders' equity	26,097	27,043	28,335	29,617
Minority interest	0	0	0	0
Total liabilities & equity	70,648	68,361	68,790	69,977

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	8,635	7,695	9,287	10,350
Pre-tax profit	7,428	7,288	7,657	8,096
Tax	(1,416)	(1,390)	(1,460)	(1,544)
Deprec. & amort.	3,583	3,792	3,875	3,956
Working capital changes	(787)	(2,038)	(852)	(221)
Non-cash items	(173)	43	68	63
Other operating cashflows	0	0	0	0
Investing	(4,979)	280	(3,222)	(3,264)
Capex (growth)	(5,016)	369	(3,275)	(3,276)
Investments	1	0	0	0
Others	36	(89)	53	12
Financing	(4,721)	(5,953)	(5,705)	(6,070)
Dividend payments	(5,363)	(4,953)	(4,905)	(5,270)
Issue of shares	0	0	0	0
Proceeds from borrowings	1,996	(1,000)	(800)	(800)
Others/interest paid	(1,354)	0	0	0
Net cash inflow (outflow)	(1,066)	2,023	361	1,017
Beginning cash & cash equivalent	5,554	4,488	6,511	6,872
Ending cash & cash equivalent	4,488	6,511	6,872	7,889

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	17.2	17.4	17.4	17.3
Pre-tax margin	10.9	10.8	11.0	11.1
Net margin	8.8	8.8	8.9	9.0
Growth				
Net profit (adj.)	(7.7)	(1.7)	5.1	5.7
Leverage				
Debt to total capital	98.0	90.9	83.9	77.6
Debt to equity	98.0	90.9	83.9	77.6
Net debt/(cash) to equity	80.8	66.8	59.7	51.0
Interest cover	17.4	19.4	20.8	22.5