

BUY (Unchanged)

TP: Bt 90.00

(From: Bt 50.30)

Change in Numbers

Upside : 23.3%

26 AUGUST 2021

Hana Micro Electronics (HANA TB)

Capacity increase

HANA plans to expand capacity in 2022-23, which we expect to lead to another two years of inorganic sales growth. This, along with its much stronger-than-expected 2Q21 results and weaker baht, leads us to raise our earnings by 46-70% in 2021-23F. We reaffirm BUY.



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Boosting capacity

Now operating at full capacity, HANA plans to expand capacity by an effective 25% in 2022 and 8% in 2023, which due to a changing product mix implies an additional 10% and 6% room for sales growth in those years. The expansions are to be at three of its existing six plants (Exhibit 8). The plan is to debottleneck the Ayutthaya plant by 25%, increase production lines at its China chip packaging unit by 100%, and acquire a brownfield factory in the US to double sales capacity there. The three production units now account for 34%, 4% and 4% of total sales. The expansions are targeted to be gradually completed in 2022-23. HANA expects to run the new capacities at high utilization from next year.

Growth across end-product segments

HANA's IC packaging and PCB assembly businesses are both growing along with the overall electronics industry. Growth is being seen across the end-product segments (sales breakdown in Exhibit 9). The 100% expansion at its China plant is a result of the trade war that has made China source more from the domestic market. HANA is also doubling its capacity in the US given strong RFID tag product demand from the growing e-commerce trend. It is also moving up the value chain at its US factory from the OEM product assembling work to include software work for inlay RFID products, used for parcel trackers, for its customers. HANA expects inlay RFID products to account for 5% of its sales in 2023 vs. around 1% now.

A major beat in 2Q21

HANA reported 2Q21 earnings of Bt770m, up 61% y-y and 87% q-q. Key drivers were 1) volume growth from the strong industry, 2) price adjustments to reflect rising costs since previous quarters, 3) a higher mix of higher-margin products, e.g., industrial products and smartphones, 4) a jump in gross margin to 16.8% from 11.9% in 1Q21 and 15.3% in 2Q20, and 5) the impact of the weaker baht.

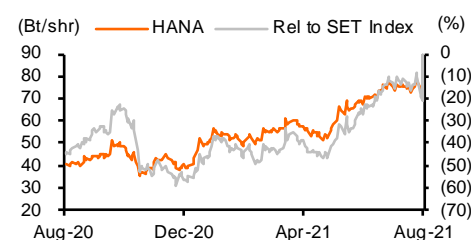
Hefty earnings upgrades

We boost our earnings estimates by 46-70% in 2021-23F and our DCF-based 12-month TP, using a 2022F base year, to Bt90/share (from Bt50). That comes on the back of the capacity increase plan, a higher gross margin base and the strong 2Q21 results. We reaffirm our BUY call on shares of HANA, expecting it to continue enjoying the prolonged industry growth trend with 30% h-h earnings growth in 2H21F and 32% in 2022F. HANA's valuation still looks inexpensive to us at 17/15x PE in 2022-23F vs. EPS growth of 32/11% in 2022-23F.

COMPANY VALUATION

VALUATION	2020A	2021F	2022F	2023F
Sales	19,283	23,441	27,114	28,282
Net profit	1,908	2,670	3,522	3,900
Consensus NP	—	2,325	2,741	3,070
Diff frm cons (%)	—	14.8	28.5	27.0
Norm profit	1,798	2,670	3,522	3,900
Prev. Norm profit	—	1,834	2,071	2,293
Chg frm prev (%)	—	45.6	70.1	70.1
Norm EPS (Bt)	2.2	3.3	4.4	4.8
Norm EPS grw (%)	20.2	48.6	31.9	10.7
Norm PE (x)	32.7	22.0	16.7	15.1
EV/EBITDA (x)	19.7	14.0	10.9	9.5
P/BV (x)	2.7	2.6	2.4	2.2
Div yield (%)	1.9	2.7	3.5	3.9
ROE (%)	8.5	12.0	14.8	15.3
Net D/E (%)	(43.3)	(38.6)	(39.0)	(47.1)

PRICE PERFORMANCE



COMPANY INFORMATION

Price: (Bt) as of 26-Aug-21	73.00
Market Cap (US\$ m)	1,794.4
Listed Shares (m shares)	804.9
Free Float (%)	57.0
Avg. Daily Turnover (US\$ m)	35.0
12M Price H/L (Bt)	79.00/35.25
Sector	Electronics
Major Shareholder	OMAC (HK) Limited 21.43%

Sources: Bloomberg, Company data, Thanachart estimates

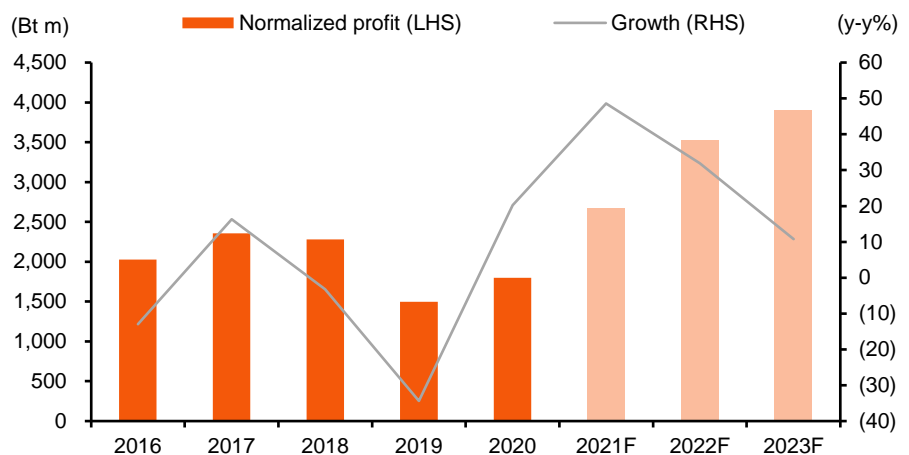
Still a BUY despite share price run-up

Boosting our earnings and maintaining our BUY call

We boost our earnings estimates for Hana Electronics Pcl (HANA) by 46/70/70% in 2021-23F and raise our DCF-based 12-month TP, using a 2022F base year, to Bt90/share (from Bt50). We maintain our BUY call on HANA for three reasons. **First**, the industry remains in an upcycle and HANA now has more capacity to enjoy the continued growth cycle. **Second**, HANA is also enjoying rising gross margin not only from operating leverage benefits but also its product mix moving toward higher-end products, including mobile phones, industrial-based electronic products and its new inlay RFID products. **Third**, despite its recent sharp share price rise, we still see HANA's valuation as inexpensive given that it is being supported by a new, higher base of earnings. It is trading on 17/15x PE in 2022-23F vs. EPS growth of 32% in 2022F and 11% in 2023F.

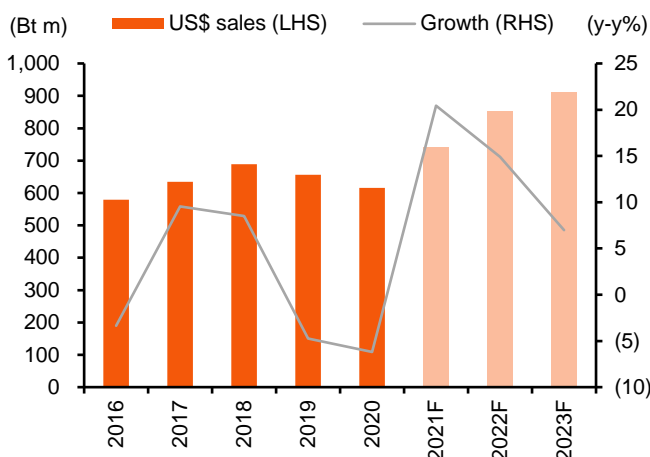
Exhibits 5-6 show our earnings revisions and assumption changes. The earnings upgrades reflect planned capacity increases, our weaker baht assumptions and the surprisingly strong 2Q21 earnings, which grew 61% y-y and 87% q-q. Note that we expect HANA's earnings to fall 6% q-q (but still grow by 98% y-y) because of the COVID-19 outbreak at its plant in Ayutthaya which caused disruption to production and also due to the global chip shortage. HANA expects the situation to normalize in 4Q21.

Ex 1: Earnings Growth



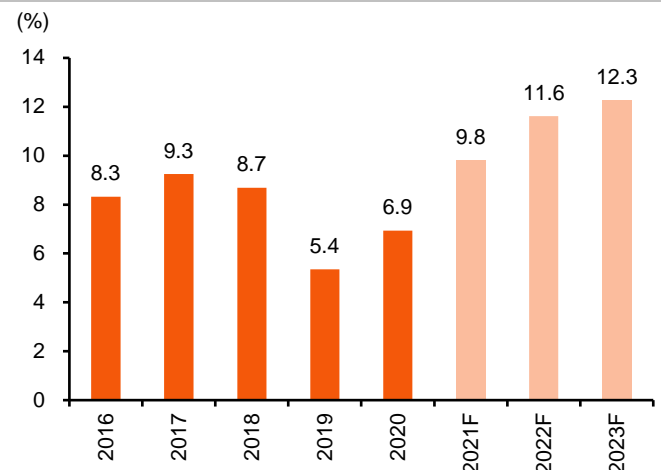
Sources: Company data, Thanachart estimates

Ex 2: Sales Growth

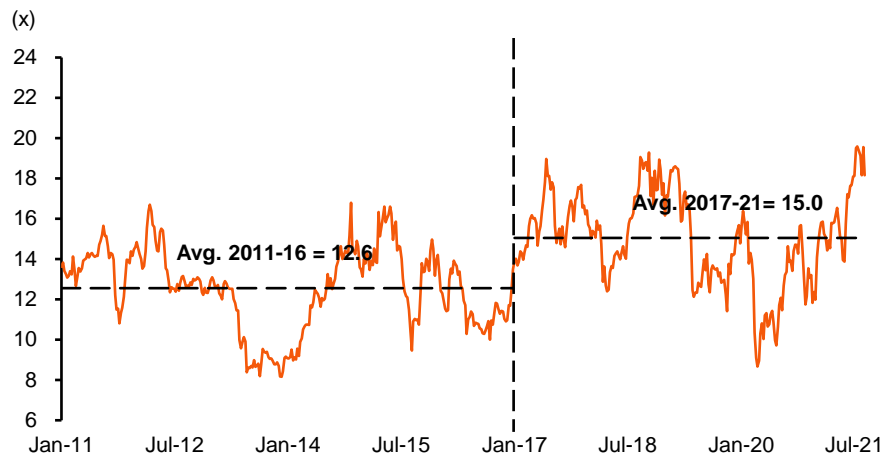


Sources: Company data; Thanachart estimates

Ex 3: EBIT Margin Expansion



Sources: Company data; Thanachart estimates

Ex 4: Average PE

Sources: Bloomberg, Thanachart estimates

Ex 5: Our Key Assumptions

	2020	2021F	2022F	2023F
Year-end capacity growth (%)	-	5	30	1
Effective capacity growth (%)	-	4	25	8
Implied extra sales (%)	-	2	10	6
US\$ sales growth (%)	(6.2)	20	15	7
Baht assumption (US\$/Baht)	31.2	31.6	31.8	31.0
Baht sales growth (%)	(5.4)	22	16	4
Gross margin (%)	13.2	15.9	17.3	17.8
SG&A to sales (%)	6.3	6.1	5.7	5.6

Sources: Company data, Thanachart estimates

Ex 6: Earnings Revisions

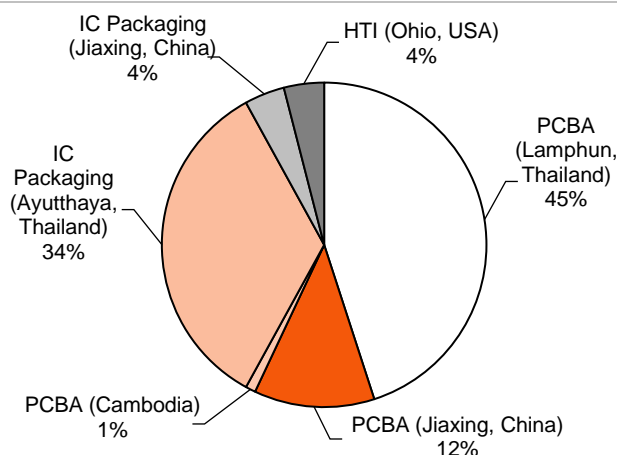
	2019	2020	2021F	2022F	2023F
Sales (US\$ m)					
New	656	616	742	853	912
Old			629	681	724
Change (%)			18.0	25.1	26.1
Bt/US\$					
New	31.0	31.2	31.6	31.8	31.0
Old			31.1	29.6	29.6
Change (%)			1.6	7.4	4.7
Sales (Bt m)					
New	20,384	19,283	23,441	27,114	28,282
Old			19,559	20,168	21,418
Change (%)			19.8	34.4	32.0
Gross margin (%)					
New	10.7	13.2	15.9	17.3	17.8
Old			12.0	13.5	13.6
Change (pp)			3.9	3.8	4.2
SG&A/sales (%)					
New	5.39	6.28	6.09	5.72	5.57
Old			6.0	6.6	6.4
Change (pp)			0.1	(0.8)	(0.8)
Normalized profit (Bt m)					
New	1,496	1,798	2,670	3,522	3,900
Old			1,834	2,071	2,293
Change (%)			45.6	70.1	70.1

Sources: Company data, Thanachart estimates

Capacity increases**Increasing capacity at three of its six existing plants**

Now at nearly full capacity and with orders being very strong, HANA has decided to increase production capacity in Ayutthaya (Thailand), Jiaxing (China) and Ohio (USA). The Ayutthaya (34% of sales) and Jiaxing (4% of sales) plants operate chip packaging businesses. The Ohio plant (4% of sales) carries out OEM-related services for microdisplays and RFID products.

We estimate the effective capacity increase at 25% in 2022F and 8% in 2023F. Due to a different mix of HANA's products, the capacity increases should provide extra room for sales growth at an estimated 10% and 6% in 2022-23F. HANA expects to operate at a high utilization rate with the new plants next year.

Ex 7: HANA's Sales Breakdown by Plant

Source: Company data

Ex 8: Capacity Timeline

(%)	2021	2022	2023
Year-end capacity growth	5	30	1
Effective capacity growth	4	25	8
Implied extra sales	2	10	6

Sources: Company data; Thanachart estimates

+25% at Ayutthaya plant in 2022-23

The Ayutthaya plant (+25% capacity) accounts for 34% of HANA's total sales. It focuses on chip packaging for end products of mobile phones, cars, industrial and communication infrastructure products. HANA has used up all the installed machinery capacity, but it still has production space left at the existing factory and it plans to add new machinery. HANA expects an additional 25% capacity from this plant with the first phase planned to be up and running in 1Q22. HANA has already secured 5 new clients for the first phase and we foresee the first expansion phase operating at full capacity next year. We expect the total additional capacity to be fully utilized by 2023F

Doubling capacity at the Jiaxing plant in 2022...

The Jiaxing plant (+100% capacity for the chip packaging business) operates both chip packaging (4% of sales) and PCB assembly (12% of sales) businesses. HANA carries out chip packaging for mainly mobile phones and industrial electronics, and PCB assembly for mainly RFID products related to the hospitality and travel industries. HANA foresees a better growth outlook for chip packaging than PCB assembly and its capacity expansion is only for part of its chip packaging business. It plans to add more production lines to fill vacant space at the plant. HANA expects the capacity increase to be completed by 1Q22. Note that the US-China trade war during 2017-19 resulted in China sourcing more supply domestically and this benefited HANA. Giving the very strong orders, HANA expects the new capacity to run at 100% in 2022.

...And in the US

The Ohio plant (+100% capacity) accounts for 4% of HANA's sales. The plant manufactures mainly RFID tags for transportation and microdisplays. HANA expects to acquire a new plant by 1Q22 to double its existing capacity. The long-term plan is to move all the production at its existing plant to the new plant. HANA's existing Ohio plant is rented. HANA plans to terminate the rental contract when the new plant is ready. HANA expects the new plant's depreciation expenses to be offset by not having to pay for the rental expenses of the old factory.

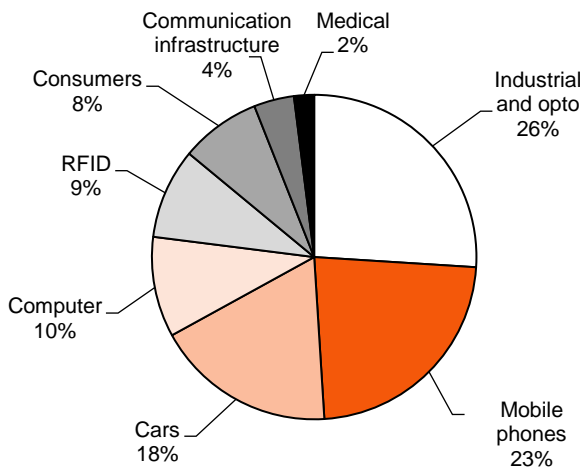
Strong end-product demand

Growth is seen across the board

HANA is in the electronic manufacturing service (EMS) value chain in the electronics industry. It is benefiting from overall industry growth and most of its end-product segments have been experiencing strong demand. Exhibit 9 shows its sales breakdown by end-product categories. The breakdown is 23% mobile phone, 26% industrial & opto, 18% auto, 10% computer, 9% RFID tags for the hospitality and transportation industries, 8% high-end consumer electronics, e.g. expensive toys, 4% telecom infrastructure and 2% medical. Leading global semiconductor players, e.g., TSMC and Micron, are experiencing very strong demand with their production likely to fall short of consumer demand into 2022F.

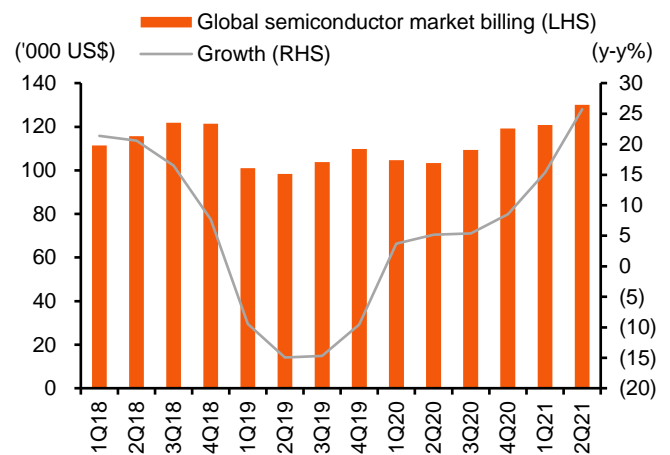
Demand for computers, mobile phones, telecom infrastructure and consumer products, e.g., digital-based toys, has been strong since the COVID pandemic started thanks to the work-from-home (WFH) trend. Going forward, while we expect demand for computers and toys to slow down, the growth should continue for smart phones driven by rising adoption and the launch of 5G phones. 5G phones accounted for 37% of global smartphones shipments in 1Q21, and we expect this to rise to 43% by year end. As for cars, industrial or factory equipment and hospitality-based electronic products, demand is recovering as a result of the global re-opening and we expect this to continue into next year.

Ex 9: Sales Breakdown By End Products



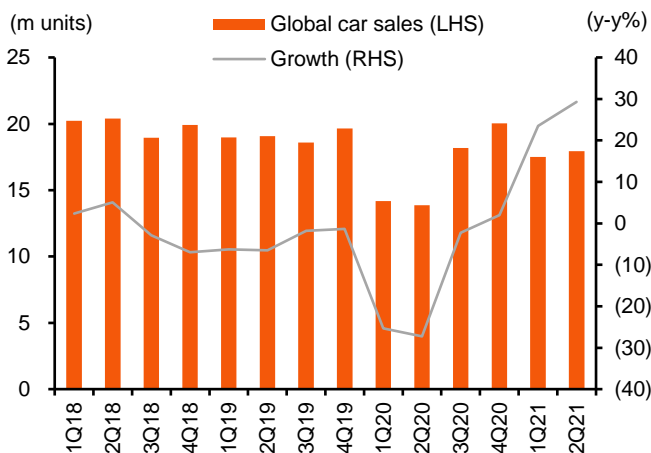
Source: Company data

Ex 10: Global Semiconductor Sales Growth



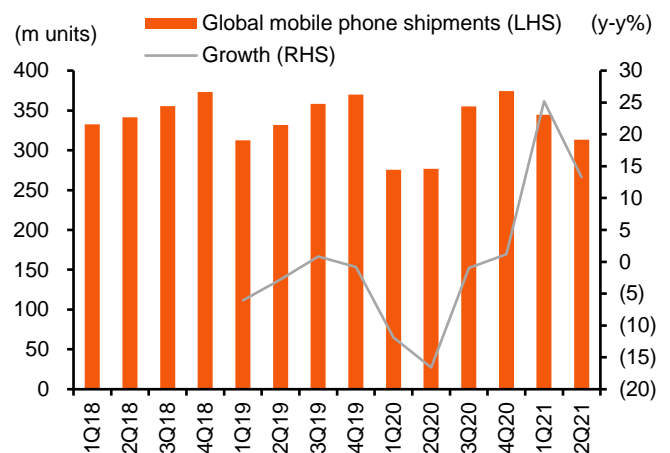
Source: Semiconductor Industry Association

Ex 11: Global Car Sales



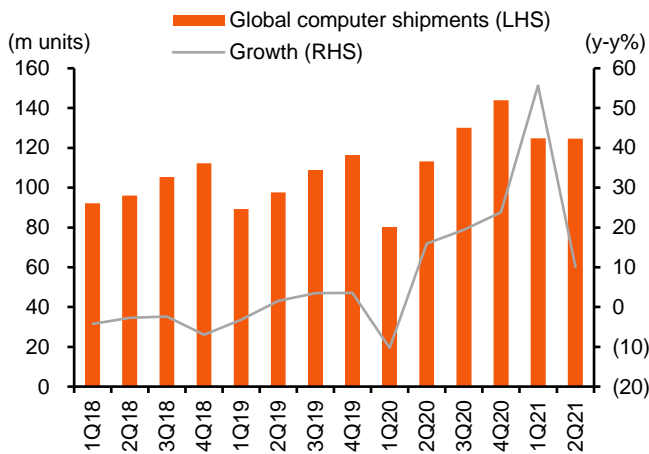
Source: Bloomberg

Ex 12: Global Smartphone Shipments



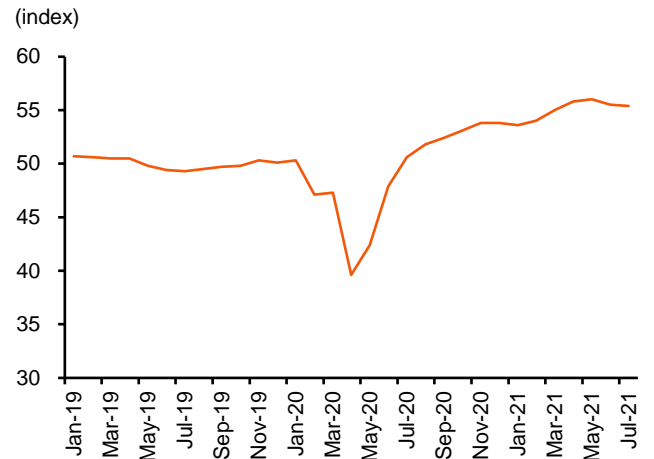
Source: Bloomberg

Ex 13: Global Computer Shipments



Source: Bloomberg

Ex 14: Global Manufacturing PMI



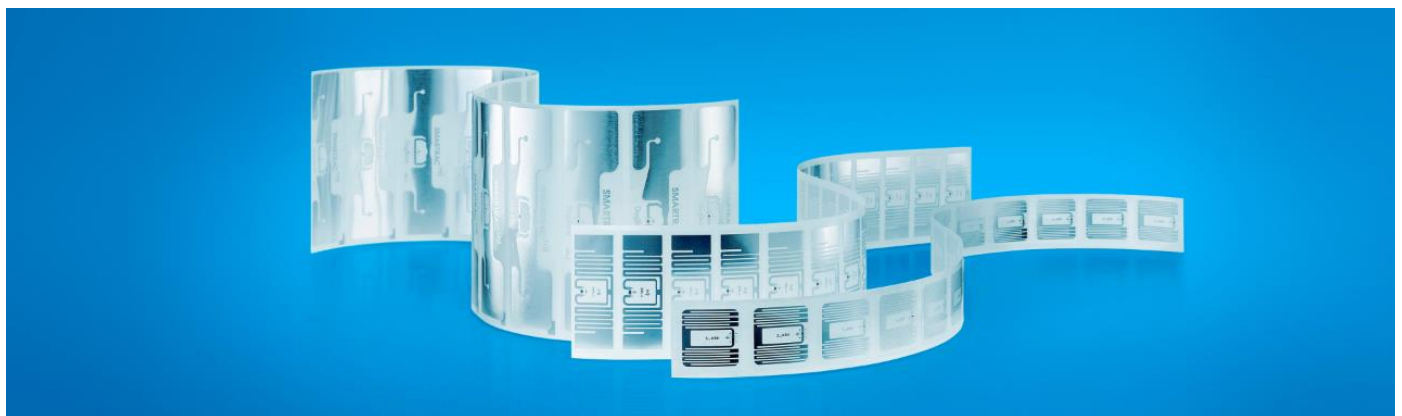
Source: Bloomberg

Note: * Manufacturing PMI is a proxy for industrial-related electronic products
* PMI above 50 implies expansion

Moving up the value chain of inlay RFID products

As for its US business, HANA is planning to produce more and go further upstream with inlay radio frequency identification (RFID) products, i.e., RFID tags used to track parcels when they are being transported. This business is growing along with the e-commerce industry. HANA already produces OEM inlay RFID products. That is, HANA assembles chips designed by its clients for inlay RFID products. With its new team of engineers, HANA is moving up to design the inlay chips by itself and earn higher margins. From 1% of total sales now from OEM inlay products, HANA targets 5% of sales with higher margins from self-designed and produced inlay RFID products. Inlay RFIDs are disposable, one-time use products attached to parcels.

Ex 15: Inlay RFID



Source: Thanachart compilation

Ex 16: 12-month DCF-based TP Calculation, Using A Base Year Of 2022F

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal value
EBITDA	4,494	4,859	5,432	5,950	6,249	6,609	6,979	7,294	7,618	7,952	8,297	—
Free cash flow	2,604	4,485	4,601	5,183	5,619	3,658	6,437	6,761	7,095	7,439	7,794	92,077
PV of free cash flow	2,597	3,731	3,491	3,586	3,467	2,049	3,273	3,121	2,974	2,831	2,563	30,278
Risk-free rate (%)	3.5											
Market risk premium (%)	8.0											
Beta	0.9											
WACC (%)	10.6											
Terminal growth (%)	2.0											
Enterprise value - add investments	63,961											
Net debt (2021F)	(8,845)											
Minority interest	—											
Equity value	72,807											
# of shares (m)	805											
Target price/share (Bt)	90											

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 17: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div. yield —	
			21F	22F	21F	22F	21F	22F	21F	22F	21F	22F
			(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
Compal Electronics Inc	2324 TT	Taiwan	23.4	(12.8)	8.4	9.7	0.9	0.8	7.6	7.8	7.8	7.1
Foxconn Technology	2354 TT	Taiwan	63.8	6.4	11.9	11.2	0.7	0.7	3.8	3.6	4.2	4.5
Hon Hai Precision Indus.	2317 TT	Taiwan	33.6	11.6	11.0	9.8	1.1	1.0	6.1	5.5	4.6	5.2
Lite-On Technology Corp	2301 TT	Taiwan	39.5	(5.3)	9.8	10.4	1.8	1.7	5.4	4.7	7.5	7.2
Pegatron Corp	4938 TT	Taiwan	(2.5)	(9.8)	8.6	9.5	1.0	1.0	11.6	10.2	7.3	7.0
Wistron Corp	3231 TT	Taiwan	(0.2)	7.4	8.8	8.2	1.0	0.9	6.7	5.7	8.0	8.4
Wistron NeWeb Corp	6285 TT	Taiwan	12.0	41.1	16.8	11.9	1.6	1.5	8.0	6.5	4.2	5.5
Fabrinet	FN US	US	15.9	7.1	18.1	16.9	2.8	2.4	12.6	11.7	na	na
Plexus Corp	PLXS US	US	23.5	15.8	17.7	15.3	2.5	4.1	10.3	9.2	na	na
Sanmina Corp	SANM US	US	31.6	4.4	9.5	9.1	na	na	4.9	4.7	0.0	0.0
Siix Corp	7613 JP	Japan	255.3	10.2	9.6	8.7	1.0	0.9	6.4	5.8	2.4	2.6
Venture Corp Ltd	VMS SP	Singapore	9.4	9.1	17.0	15.6	2.1	2.0	11.4	10.5	4.0	4.1
Delta Electronics	DELTA TB	Thailand	2.1	33.1	94.6	68.8	17.1	15.1	73.2	54.8	0.6	0.8
SVI Pcl	SVI TB	Thailand	(15.6)	15.6	17.9	15.5	2.5	2.3	12.1	10.8	1.9	2.3
Hana Microelectronics	HANA TB*	Thailand	48.6	31.9	22.0	16.7	2.6	2.4	14.0	10.9	2.7	3.5
KCE Electronics	KCE TB*	Thailand	133.3	59.1	39.1	24.6	7.0	6.2	25.6	17.5	1.8	2.8
Average			42.1	14.1	20.1	16.4	3.0	2.9	13.7	11.2	4.1	4.4

Source: Bloomberg

Note: *Thanachart estimates, using Thanachart normalized EPS

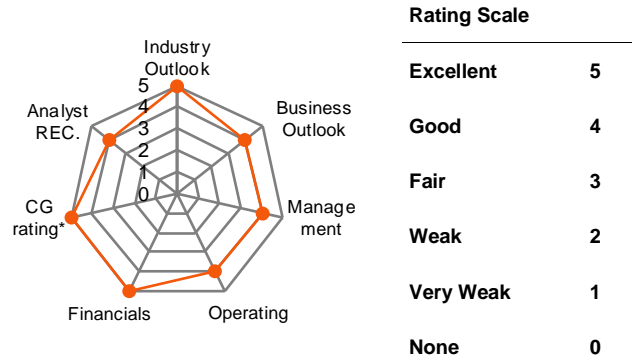
Based on 26-Aug-2021 closing prices

COMPANY DESCRIPTION

Hana Microelectronics Pcl (HANA) is an electronics manufacturing service (EMS) company, producing electronic components for original equipment manufacturers (OEM). The company offers three services for its clients: Printed Circuit Board Assembly (PCBA), Integrated Circuit Assembly and Test (IC), and Microdisplays. HANA has five manufacturing bases in Thailand, China, Cambodia and the US.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Well-established production facilities.
- Highly capable and experienced management team who have been working together for over a decade.
- High net cash position and no financial leverage.

O — Opportunity

- In-house developed production processes lowering production costs.
- Expanding to value-added and higher-margin industries such as the automotive and medical sectors.
- Capacity expansion allows the company to boost revenues when demand recovers.

W — Weakness

- Capital-intensive business, particularly machinery.
- Depends to a large extent on global demand for electronic components.
- Competing on a global scale with other big EMS players.

T — Threat

- Unexpected external events (i.e., flooding, political turmoil) can disrupt HANA's operations.
- New developments in the fast-changing technology industry can significantly dent demand for its products.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	77.36	90.00	16%
Net profit 21F (Bt m)	2,325	2,670	15%
Net profit 22F (Bt m)	2,741	3,522	28%
Consensus REC	BUY: 8	HOLD: 6	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F earnings are higher than the Bloomberg consensus estimates which we attribute to us having a more bullish outlook on the continuing strength of the global electronics industry.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Our forecasts are based on an assumption of a weakening baht; thus, if the baht strengthens more than we currently expect this would present downside risk to our projections.
- The success rate of its R&D projects represents another risk to our earnings forecasts.

Source: Thanachart

INCOME STATEMENT

A continued strong earnings path

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	20,384	19,283	23,441	27,114	28,282
Cost of sales	18,193	16,734	19,716	22,414	23,237
Gross profit	2,191	2,548	3,724	4,700	5,045
% gross margin	10.7%	13.2%	15.9%	17.3%	17.8%
Selling & administration expenses	1,099	1,211	1,428	1,552	1,574
Operating profit	1,092	1,337	2,297	3,149	3,470
% operating margin	5.4%	6.9%	9.8%	11.6%	12.3%
Depreciation & amortization	1,138	1,175	1,260	1,346	1,389
EBITDA	2,230	2,512	3,556	4,494	4,859
% EBITDA margin	10.9%	13.0%	15.2%	16.6%	17.2%
Non-operating income	532	530	470	497	565
Non-operating expenses	0	0	0	0	0
Interest expense	(13)	(9)	(7)	(7)	(6)
Pre-tax profit	1,610	1,858	2,760	3,639	4,030
Income tax	115	60	89	118	130
After-tax profit	1,496	1,798	2,670	3,522	3,900
% net margin	7.3%	9.3%	11.4%	13.0%	13.8%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	309	110	0	0	0
NET PROFIT	1,805	1,908	2,670	3,522	3,900
Normalized profit	1,496	1,798	2,670	3,522	3,900
EPS (Bt)	2.2	2.4	3.3	4.4	4.8
Normalized EPS (Bt)	1.9	2.2	3.3	4.4	4.8

BALANCE SHEET

Healthy balance sheet, on our forecasts

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	17,015	17,720	18,621	20,735	23,128
Cash & cash equivalent	8,568	9,667	9,000	9,900	12,500
Account receivables	3,341	3,461	4,207	4,867	5,076
Inventories	4,518	4,496	5,297	5,834	5,411
Others	588	96	116	135	140
Investments & loans	208	72	72	72	72
Net fixed assets	6,902	6,938	7,892	7,559	6,783
Other assets	301	450	547	632	659
Total assets	24,426	25,180	27,132	28,999	30,643
LIABILITIES:					
Current liabilities:	3,182	2,806	3,282	3,866	3,781
Account payables	2,252	2,355	2,971	3,377	3,501
Bank overdraft & ST loans	802	300	153	298	84
Current LT debt	0	0	0	0	0
Others current liabilities	128	151	159	191	195
Total LT debt	0	0	2	5	1
Others LT liabilities	699	760	915	488	481
Total liabilities	3,881	3,567	4,200	4,358	4,263
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	805	805	805	805	805
Share premium	1,723	1,723	1,723	1,723	1,723
Warrants	0	0	0	0	0
Surplus	(881)	(611)	(611)	(611)	(611)
Retained earnings	18,898	19,696	21,014	22,723	24,463
Shareholders' equity	20,546	21,614	22,932	24,640	26,380
Liabilities & equity	24,426	25,180	27,132	28,999	30,643

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	1,610	1,858	2,760	3,639	4,030
Tax paid	(129)	(70)	(81)	(118)	(128)
Depreciation & amortization	1,138	1,175	1,260	1,346	1,389
Chg In working capital	26	5	(931)	(789)	337
Chg In other CA & CL / minorities	(2)	497	(37)	(2)	(16)
Cash flow from operations	2,643	3,465	2,970	4,076	5,611
Capex	(848)	(1,199)	(2,200)	(1,000)	(600)
Right of use	0	0	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	10	136	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	226	(103)	60	(510)	(35)
Cash flow from investments	(611)	(1,165)	(2,140)	(1,510)	(635)
Debt financing	811	(360)	(145)	147	(217)
Capital increase	0	0	0	0	0
Dividends paid	(1,328)	(1,046)	(1,352)	(1,813)	(2,160)
Warrants & other surplus	(1,014)	207	0	0	0
Cash flow from financing	(1,531)	(1,200)	(1,498)	(1,666)	(2,377)
Free cash flow	1,795	2,266	770	3,076	5,011

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	39.3	32.7	22.0	16.7	15.1
Normalized PE - at target price (x)	48.4	40.3	27.1	20.6	18.6
PE (x)	32.6	30.8	22.0	16.7	15.1
PE - at target price (x)	40.1	38.0	27.1	20.6	18.6
EV/EBITDA (x)	22.9	19.7	14.0	10.9	9.5
EV/EBITDA - at target price (x)	29.0	25.1	17.9	14.0	12.4
P/BV (x)	2.9	2.7	2.6	2.4	2.2
P/BV - at target price (x)	3.5	3.4	3.2	2.9	2.7
P/CFO (x)	22.2	17.0	19.8	14.4	10.5
Price/sales (x)	2.9	3.0	2.5	2.2	2.1
Dividend yield (%)	1.8	1.9	2.7	3.5	3.9
FCF Yield (%)	3.1	3.9	1.3	5.2	8.5
(Bt)					
Normalized EPS	1.9	2.2	3.3	4.4	4.8
EPS	2.2	2.4	3.3	4.4	4.8
DPS	1.3	1.4	2.0	2.5	2.8
BV/share	25.5	26.9	28.5	30.6	32.8
CFO/share	3.3	4.3	3.7	5.1	7.0
FCF/share	2.2	2.8	1.0	3.8	6.2

Sources: Company data, Thanachart estimates

*Valuation still
inexpensive in our view*

FINANCIAL RATIOS

	FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate						
Sales (%)		(8.4)	(5.4)	21.6	15.7	4.3
Net profit (%)		(24.0)	5.7	40.0	31.9	10.7
EPS (%)		(24.0)	5.7	40.0	31.9	10.7
Normalized profit (%)		(34.4)	20.2	48.6	31.9	10.7
Normalized EPS (%)		(34.4)	20.2	48.6	31.9	10.7
Dividend payout ratio (%)		58.0	59.1	59.1	58.2	58.2
Operating performance						
Gross margin (%)		10.7	13.2	15.9	17.3	17.8
Operating margin (%)		5.4	6.9	9.8	11.6	12.3
EBITDA margin (%)		10.9	13.0	15.2	16.6	17.2
Net margin (%)		7.3	9.3	11.4	13.0	13.8
D/E (incl. minor) (x)		0.0	0.0	0.0	0.0	0.0
Net D/E (incl. minor) (x)		(0.4)	(0.4)	(0.4)	(0.4)	(0.5)
Interest coverage - EBIT (x)		82.5	147.5	340.0	483.1	628.0
Interest coverage - EBITDA (x)		168.5	277.1	526.5	689.6	879.4
ROA - using norm profit (%)		6.0	7.2	10.2	12.5	13.1
ROE - using norm profit (%)		7.2	8.5	12.0	14.8	15.3
DuPont						
ROE - using after tax profit (%)		7.2	8.5	12.0	14.8	15.3
- asset turnover (x)		0.8	0.8	0.9	1.0	0.9
- operating margin (%)		8.0	9.7	11.8	13.4	14.3
- leverage (x)		1.2	1.2	1.2	1.2	1.2
- interest burden (%)		99.2	99.5	99.8	99.8	99.9
- tax burden (%)		92.9	96.8	96.8	96.8	96.8
WACC (%)		9.6	9.6	9.6	9.6	9.6
ROIC (%)		7.6	10.1	18.1	21.6	22.3
NOPAT (Bt m)		1,014	1,294	2,222	3,047	3,358
invested capital (Bt m)		12,780	12,247	14,087	15,043	13,966

Sources: Company data, Thanachart estimates

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