**BUY** (Unchanged)

**Change in Numbers**

**TP: Bt 72.00** (From: Bt 68.00)

**Upside : 18.5%**

**13 MAY 2021**

Small Cap Research

Thanachart Securities

# KCE Electronics Pcl (KCE TB)

## Positive developments

**There have been three positive developments for KCE, ie, its order book securing full capacity till November this year, successful copper price hike pass-on, and a firmer timeline for its new plant with potentially major new non-auto clients. Along with continued strong earnings, we reaffirm our BUY call with a higher TP of Bt72**


**PATTADOL BUNNAK**
662 – 483 8298
Pattadol.bun@thanachartsec.co.th


### Three positive developments

There have been three positive developments for KCE. *First*, KCE has the longest lead time for its order book ever, securing full capacity (which already factors in additional debottlenecked capacity of 30%) until November. *Second*, it has successfully negotiated with its customers for copper price hikes to be passed on this month reflecting the copper price now of USD10,500/tonne. *Third*, the timeline for its new factory has been firmed up, and it scheduled to be up and running in early 4Q22. This would unlock its tight capacity constraints with potentially sizeable new orders from major new non-auto customers.

### EPS upgrade despite high copper price

We fine-tune up our earnings by 5% in 2021F, 2% in 2022F and 5% in 2023F. As higher copper prices are to be passed on, there is no pressure for us to cut KCE's earnings. At the same time, we lift our sales growth assumption on its stronger-than-expected order book in 2021F and faster utilization ramp-up of the new plant in 2023 from new non-auto clients, and boost our gross margin on a higher proportion of high-margin HDI products. See Exhibit 10 for our new assumptions. Note that we do not raise our 2022F numbers by much since we estimate KCE is already running at full capacity until its new plant comes online in 4Q22F. We lift the DCF-based (2021F base year) 12-month TP to Bt72 (from Bt68). We expect KCE to remain in a strong earnings-growth cycle of 134% in 2021F, 51% 2022F and 49% in 2023F.

### About its new factory

Exhibit 4 shows KCE's capacity increase timeline. A 30% or 900k sq ft increase in debottlenecked capacity at existing plants is planned this year, giving 3.6m sq ft of capacity by year end. As KCE's order book is filled to November and with potential new non-auto customers, KCE is building a greenfield plant with 2.1m sq ft of capacity with the first phase of 700k sq ft targeted to be on stream by 4Q22F, and phases 2-3 of 700k sq ft each up and running in late 2023 and 2024. We are not worried about the new capacity because we estimate our 11-19% sales growth assumption p.a. would already imply a utilization rate of 80% of all the new capacity. The factory with at least 50% HDI capacity would help KCE expand into the sizeable consumer segment.

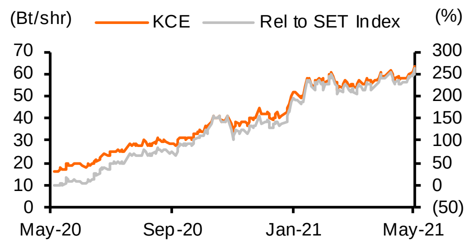
### Strong 1Q21 results

KCE reported normalized earnings of Bt430m in 1Q21, up 18% y-y and 6% q-q despite rising copper prices. Key drivers were 5% y-y sales growth from an auto sales recovery and new work orders and the EBIT margin rising by 250bps to 13.3%. The fatter margin was a result of a higher HDI proportion at 16% of sales in 1Q21F vs. 12% in 1Q20 and cost cutting.

#### COMPANY VALUATION

| Y/E Dec (Bt m) | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|
| Sales | 11,527 | 14,941 | 17,099 | 20,458 |
| Net profit | 1,127 | 2,377 | 3,579 | 5,329 |
| Consensus NP | — | 2,046 | 2,675 | 3,379 |
| *Diff frm cons (%)* | — | *16.2* | *33.8* | *57.7* |
| Norm profit | 1,018 | 2,377 | 3,579 | 5,329 |
| Prev. Norm profit | — | 2,255 | 3,514 | 5,058 |
| *Chg frm prev (%)* | — | *5.4* | *1.8* | *5.4* |
| Norm EPS (Bt) | 0.9 | 2.0 | 3.0 | 4.5 |
| Norm EPS grw (%) | 15.6 | 133.5 | 50.5 | 48.9 |
| Norm PE (x) | 70.4 | 30.2 | 20.0 | 13.4 |
| EV/EBITDA (x) | 34.0 | 19.7 | 13.9 | 9.8 |
| P/BV (x) | 6.0 | 5.2 | 4.5 | 3.7 |
| Div yield (%) | 0.7 | 1.4 | 2.2 | 3.7 |
| ROE (%) | 8.6 | 18.5 | 24.2 | 30.4 |
| Net D/E (%) | (0.0) | 2.8 | (5.8) | (14.0) |

#### PRICE PERFORMANCE

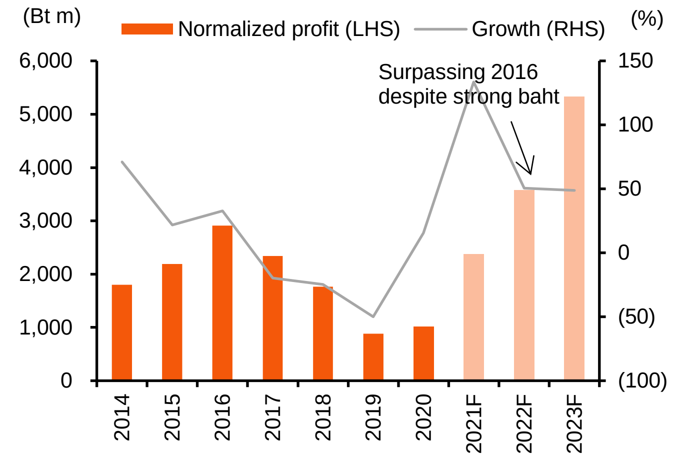



#### COMPANY INFORMATION

| | |
|---|---|
| Price: (Bt) *as of* 13-May-21 | 60.75 |
| Market Cap (US$ m) | 2,282.9 |
| Listed Shares (m shares) | 1,179.9 |
| Free Float (%) | 58.0 |
| Avg. Daily Turnover (US$ m) | 26.3 |
| 12M Price H/L (Bt) | 63.00/16.10 |
| Sector | Electronics |
| Major Shareholder | Ongkosit Family 25.65% |

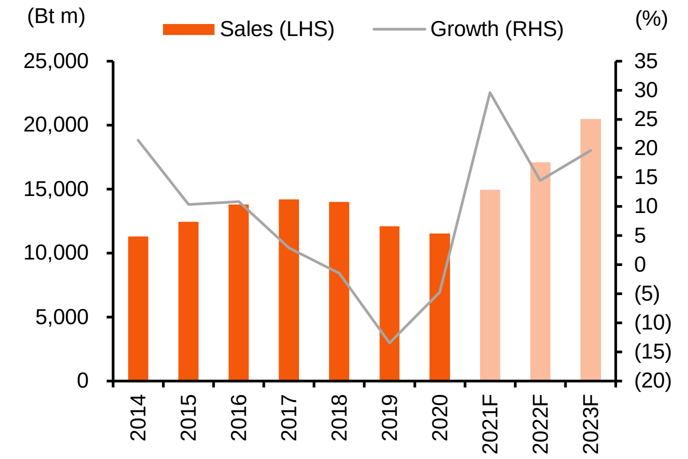
Sources: Bloomberg, Company data, Thanachart estimates

### Ex 1: Strong EPS Growth Supported By…



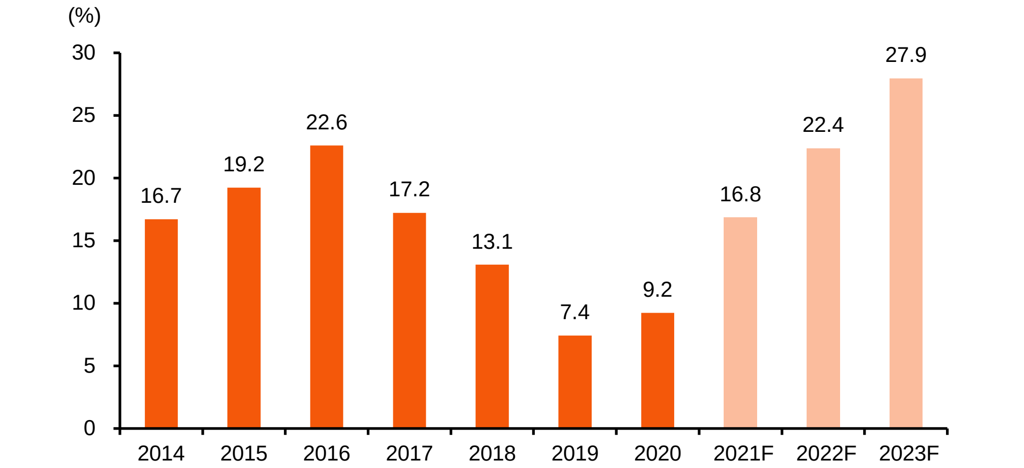

Sources: Company data; Thanachart estimates

### Ex 2: …Revenue Growth…




Sources: Company data; Thanachart estimates

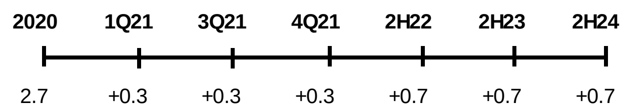
### Ex 3: …And EBIT Margin Expansion




Sources: Company data, Thanachart estimates

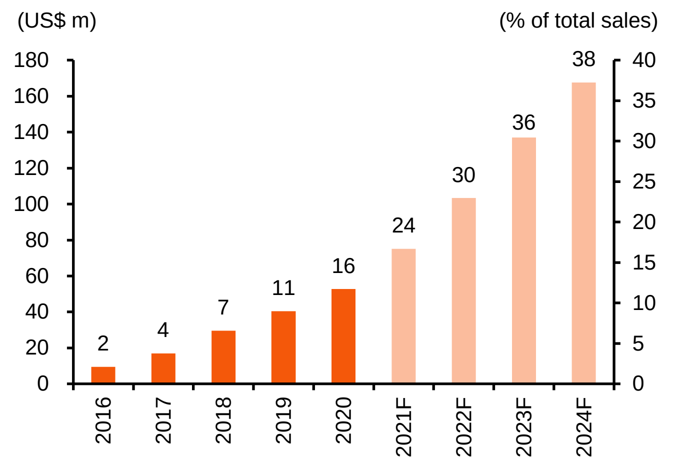
### Ex 4: Capacity Expansion Timeline

**Million sq ft per month**




Sources: Company data; Thanachart estimates

### Ex 5: Growing HDI Proportion



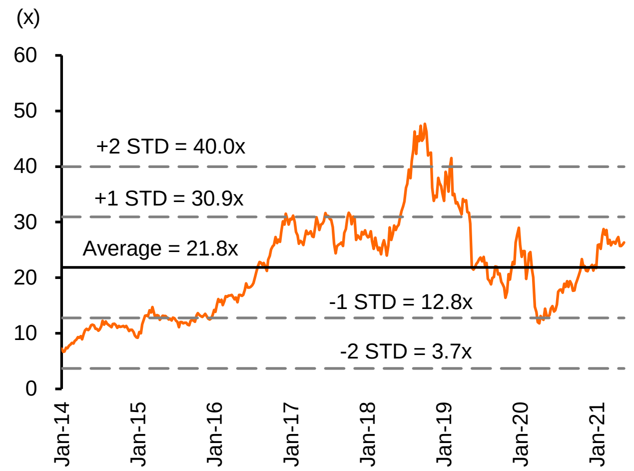

Sources: Company data; Thanachart estimates

**Ex 6: Copper Price**


Sources: Company data, Thanachart estimates

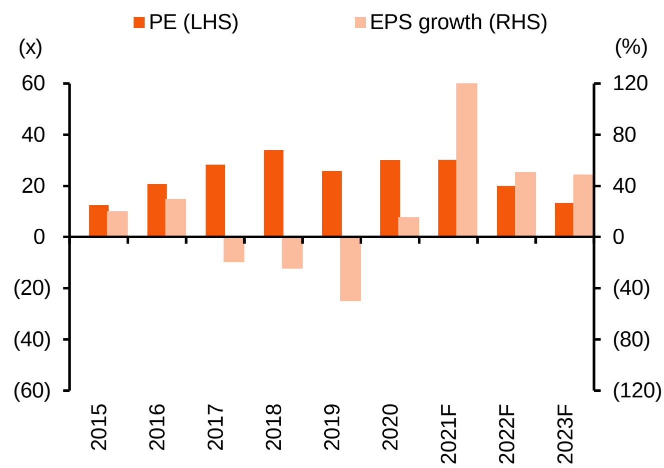
Valuation wise, we argue that KCE is inexpensive. With its very strong growth outlook, KCE's PE is still within its historical range. The high PE in 2021F of 30x is, in our view, justified by its earnings growth of 134% in that year while PE in 2022F looks compelling to us at 20x, vs. 51% EPS growth. On our numbers, we expect KCE's earnings to surpass their 2016 peak (Bt2.9bn) in 2022F, checking in at Bt3.5bn.

**Ex 7: Historical PE**




Sources: Company data; Thanachart estimates

**Ex 8: PE Vs. Growth**




Sources: Company data; Thanachart estimates

### Ex 9: Assumption Revision

| | 2020 | 2021F | 2022F | 2023F |
|---|---|---|---|---|
| **Sales (US$ m)** | | | | |
| New | 372 | 500 | 584 | 705 |
| Old | | 481 | 578 | 697 |
| *Change (%)* | | *3.9* | *0.9* | *1.2* |
| **Bt/US$** | | | | |
| New | 31.3 | 29.9 | 29.3 | 29.0 |
| Old | | 29.7 | 29.3 | 29.0 |
| **Sales (Bt m)** | | | | |
| New | 11,527 | 14,941 | 17,099 | 20,458 |
| Old | | 14,289 | 16,948 | 20,214 |
| *Change (%)* | | *4.6* | *0.9* | *1.2* |
| **Gross margin (%)** | | | | |
| New | 21.8 | 28.3 | 32.9 | 37.2 |
| Old | | 28.1 | 32.5 | 36.1 |
| *Change (pp)* | | *0.2* | *0.4* | *1.1* |
| **SG&A/sales (%)** | | | | |
| New | 12.6 | 11.5 | 10.5 | 9.2 |
| Old | | 11.5 | 10.4 | 9.3 |
| *Change (pp)* | | *(0.0)* | *0.1* | *(0.1)* |
| **Normalized profit (Bt m)** | | | | |
| New | 1,018 | 2,377 | 3,579 | 5,329 |
| Old | | 2,255 | 3,514 | 5,058 |
| *Change (%)* | | *5.4* | *1.8* | *5.4* |

Sources: Company data, Thanachart estimates

### Ex 10: 12-month DCF-based TP Calculation Using A Base Year of 2021F

| (Bt m) | | 2021F | 2022F | 2023F | 2024F | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | Terminal Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA | | 3,653 | 5,074 | 7,067 | 8,495 | 9,937 | 11,237 | 12,360 | 13,537 | 14,773 | 15,988 | 17,408 | — |
| Free cash flow | | 516 | 2,681 | 4,026 | 5,597 | 7,778 | 8,951 | 10,074 | 11,105 | 12,186 | 13,294 | 14,479 | 154,712 |
| PV of free cash flow | | 515 | 2,182 | 2,955 | 3,705 | 4,644 | 4,693 | 4,744 | 4,695 | 4,626 | 4,532 | 4,432 | 40,313 |
| Risk-free rate (%) | 2.5 | | | | | | | | | | | | |
| Market risk premium (%) | 8.0 | | | | | | | | | | | | |
| Beta | 1.2 | | | | | | | | | | | | |
| WACC (%) | 10.9 | | | | | | | | | | | | |
| Terminal growth (%) | 2.0 | | | | | | | | | | | | |
| Enterprise value - add investments | 85,414 | | | | | | | | | | | | |
| Net debt (2020) | 383 | | | | | | | | | | | | |
| Minority interest | 57 | | | | | | | | | | | | |
| Equity value | 84,974 | | | | | | | | | | | | |
| # of shares (m) * | 1,180 | | | | | | | | | | | | |
| **Target price/share (Bt)** | **72** | | | | | | | | | | | | |

Sources: Company data, Thanachart estimates

Note: * We assume full dilution impact from outstanding ESOP shares

## Valuation Comparison

### Ex 11: Valuation Comparison With Regional Peers

| Name | BBG code | Country | EPS growth 21F (%) | EPS growth 22F (%) | PE 21F (x) | PE 22F (x) | P/BV 21F (x) | P/BV 22F (x) | EV/EBITDA 21F (%) | EV/EBITDA 22F (%) | Div. yield 21F (%) | Div. yield 22F (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TTM Technologies Inc | TTMI US | USA | 12.6 | 18.2 | 11.9 | 10.1 | 1.0 | 0.9 | 7.0 | 6.4 | na | na |
| Chin-Poon Industrial | 2355 TT | Taiwan | na | 19.4 | 22.6 | 18.9 | 0.7 | 0.6 | 5.3 | 4.4 | 2.2 | 3.2 |
| Tripod Technology Corp | 3044 TT | Taiwan | 6.7 | 10.6 | 9.9 | 9.0 | 1.6 | 1.5 | 4.8 | 4.3 | 6.4 | 7.2 |
| CMK Corp | 6958 JP | Japan | na | 109.2 | 27.6 | 13.2 | 0.5 | 0.5 | 5.6 | 4.4 | 1.5 | 1.9 |
| Meiko Electronics | 6787 JP | Japan | (5.2) | 12.5 | 15.9 | 14.1 | 1.8 | 1.7 | 8.9 | 8.0 | 0.9 | 1.0 |
| Delta Electronics | DELTA TB | Thailand | 13.8 | 19.6 | 70.6 | 59.4 | 14.4 | 12.9 | 56.3 | 47.5 | 0.8 | 1.0 |
| SVI Pcl | SVI TB | Thailand | (21.8) | 19.3 | 19.0 | 15.9 | 2.5 | 2.2 | 12.0 | 10.7 | 1.8 | 2.2 |
| Hana Microelectronics | HANA TB* | Thailand | 2.0 | 12.9 | 23.3 | 20.6 | 1.9 | 1.9 | 12.7 | 11.2 | 2.5 | 2.8 |
| KCE Electronics | KCE TB* | Thailand | 133.5 | 50.5 | 30.2 | 20.0 | 5.2 | 4.5 | 19.7 | 13.9 | 1.4 | 2.2 |
| **Average** | | | **20.2** | **30.2** | **25.7** | **20.1** | **3.3** | **3.0** | **14.7** | **12.3** | **2.2** | **2.7** |

Source: Bloomberg

Note: *Thanachart estimates, using Thanachart normalized EPS

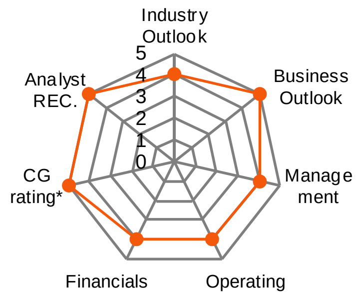
Based on 13-May-2021 closing prices

## COMPANY DESCRIPTION

KCE Electronics Public Company Limited (KCE) and its subsidiaries manufacture and export double-sided and multi-layer printed circuit boards (PCBs) under the KCE trademark. The company has five manufacturing bases: three PCB factories, one laminate factory and one chemical factory in four locations in Thailand. KCE is one of the leading global suppliers of PCBs to the automotive sector, and these account for more than 70% of its total sales.

Source: Thanachart

## COMPANY RATING




| Rating Scale | |
|---|---|
| Excellent | 5 |
| Good | 4 |
| Fair | 3 |
| Weak | 2 |
| Very Weak | 1 |
| None | 0 |

Source: Thanachart; *CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Sustainable earnings from the automotive sector.
- Completed upstream to downstream business integration.
- Lowest-cost automotive PCB manufacturer.

### W — Weakness

- Capital-intensive business, particularly for machinery.
- Revenue still concentrated with a few large customers.

### O — Opportunity

- Potential penetration of the Japanese market.
- Positive growth outlook in the automotive electronics industry.
- Expanding into other industries such as industrial and high-end consumer products.

### T — Threat

- Unexpected external events (i.e. floods, political turmoil) could disrupt KCE's operations.
- Delay in construction of factories could significantly affect the time frames for the qualification process by customers.

## CONSENSUS COMPARISON

| | Consensus | Thanachart | Diff |
|---|---|---|---|
| **Target price (Bt)** | 64.52 | 72.00 | 12% |
| **Net profit 21F (Bt m)** | 2,046 | 2,377 | 16% |
| **Net profit 22F (Bt m)** | 2,675 | 3,579 | 34% |
| **Consensus REC** | **BUY: 10** | **HOLD: 1** | **SELL: 3** |

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F earnings and TP are higher than the Bloomberg consensus numbers, which we attribute to us having a more bullish view on a turnaround in the global auto market and KCE's market share gains over the longer term.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- A slower-than-expected turnaround in the global automotive market presents the key downside risk to our projections and TP.
- A significant rise in copper-related prices presents a secondary downside risk to our estimates.
- Drastic currency fluctuations with a strong Thai baht relative to the USD present another downside risk to our numbers.

Source: Thanachart

*With multiple turnaround factors, we expect strong earnings growth*

## INCOME STATEMENT

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| Sales | 12,097 | 11,527 | 14,941 | 17,099 | 20,458 |
| Cost of sales | 9,644 | 9,015 | 10,706 | 11,476 | 12,858 |
| **Gross profit** | **2,454** | **2,512** | **4,235** | **5,624** | **7,600** |
| % gross margin | 20.3% | 21.8% | 28.3% | 32.9% | 37.2% |
| Selling & administration expenses | 1,555 | 1,449 | 1,719 | 1,798 | 1,884 |
| **Operating profit** | **898** | **1,063** | **2,516** | **3,825** | **5,717** |
| % operating margin | 7.4% | 9.2% | 16.8% | 22.4% | 27.9% |
| Depreciation & amortization | 1,015 | 1,048 | 1,138 | 1,251 | 1,354 |
| **EBITDA** | **1,913** | **2,111** | **3,654** | **5,076** | **7,071** |
| % EBITDA margin | 15.8% | 18.3% | 24.5% | 29.7% | 34.6% |
| Non-operating income | 92 | 106 | 100 | 102 | 104 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 |
| Interest expense | (61) | (57) | (70) | (74) | (43) |
| **Pre-tax profit** | **929** | **1,111** | **2,546** | **3,854** | **5,778** |
| Income tax | 52 | 87 | 174 | 280 | 453 |
| **After-tax profit** | **877** | **1,024** | **2,372** | **3,574** | **5,325** |
| % net margin | 7.2% | 8.9% | 15.9% | 20.9% | 26.0% |
| Shares in affiliates' Earnings | 19 | 10 | 10 | 11 | 11 |
| Minority interests | (15) | (16) | (5) | (6) | (7) |
| Extraordinary items | 53 | 109 | 0 | 0 | 0 |
| **NET PROFIT** | **934** | **1,127** | **2,377** | **3,579** | **5,329** |
| **Normalized profit** | **881** | **1,018** | **2,377** | **3,579** | **5,329** |
| EPS (Bt) | 0.8 | 1.0 | 2.0 | 3.0 | 4.5 |
| Normalized EPS (Bt) | 0.7 | 0.9 | 2.0 | 3.0 | 4.5 |

## BALANCE SHEET

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Current assets: | 6,719 | 8,185 | 9,783 | 10,955 | 12,479 |
| Cash & cash equivalent | 957 | 2,347 | 2,500 | 3,000 | 3,200 |
| Account receivables | 2,973 | 3,174 | 4,115 | 4,709 | 5,634 |
| Inventories | 2,701 | 2,594 | 3,080 | 3,144 | 3,523 |
| Others | 88 | 69 | 89 | 102 | 122 |
| Investments & loans | 199 | 187 | 187 | 187 | 187 |
| Net fixed assets | 8,839 | 8,107 | 9,011 | 9,472 | 9,833 |
| Other assets | 744 | 898 | 1,179 | 1,363 | 1,637 |
| **Total assets** | **16,501** | **17,377** | **20,161** | **21,977** | **24,136** |
| **LIABILITIES:** | | | | | |
| Current liabilities: | 3,651 | 4,216 | 4,960 | 4,653 | 3,971 |
| Account payables | 2,293 | 2,458 | 2,919 | 3,129 | 3,505 |
| Bank overdraft & ST loans | 1,067 | 1,283 | 1,577 | 1,137 | 283 |
| Current LT debt | 259 | 387 | 392 | 283 | 70 |
| Others current liabilities | 33 | 88 | 73 | 104 | 112 |
| **Total LT debt** | **724** | **676** | **915** | **660** | **164** |
| Others LT liabilities | 364 | 423 | 575 | 671 | 809 |
| **Total liabilities** | **4,739** | **5,315** | **6,449** | **5,983** | **4,944** |
| Minority interest | 50 | 52 | 57 | 63 | 70 |
| Preferreds shares | 0 | 0 | 0 | 0 | 0 |
| Paid-up capital | 586 | 589 | 590 | 590 | 590 |
| Share premium | 1,907 | 2,050 | 2,050 | 2,050 | 2,050 |
| Warrants | 0 | 0 | 0 | 0 | 0 |
| Surplus | (70) | (64) | (64) | (64) | (64) |
| **Retained earnings** | **9,290** | **9,434** | **11,078** | **13,353** | **16,545** |
| Shareholders' equity | 11,712 | 12,010 | 13,654 | 15,930 | 19,122 |
| **Liabilities & equity** | **16,501** | **17,377** | **20,161** | **21,977** | **24,136** |

Sources: Company data, Thanachart estimates

*Healthy cash flow streams, on our forecasts*

## CASH FLOW STATEMENT

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| Earnings before tax | 929 | 1,111 | 2,546 | 3,854 | 5,778 |
| Tax paid | (48) | (32) | (185) | (249) | (445) |
| Depreciation & amortization | 1,015 | 1,048 | 1,138 | 1,251 | 1,354 |
| Chg In working capital | 288 | 70 | (965) | (449) | (927) |
| Chg In other CA & CL / minorities | (42) | 21 | (14) | (2) | (8) |
| **Cash flow from operations** | **2,142** | **2,218** | **2,520** | **4,406** | **5,752** |
| Capex | (453) | (277) | (2,000) | (1,667) | (1,667) |
| Right of use | 0 | (13) | (20) | (20) | (20) |
| ST loans & investments | 0 | 0 | 0 | 0 | 0 |
| LT loans & investments | 6 | 12 | 0 | 0 | 0 |
| Adj for asset revaluation | 0 | 0 | 0 | 0 | 0 |
| Chg In other assets & liabilities | (58) | (125) | (151) | (113) | (164) |
| **Cash flow from investments** | **(505)** | **(404)** | **(2,171)** | **(1,799)** | **(1,851)** |
| Debt financing | (889) | 405 | 537 | (803) | (1,563) |
| Capital increase | 0 | 146 | 1 | 0 | 0 |
| Dividends paid | (1,136) | (952) | (734) | (1,303) | (2,138) |
| Warrants & other surplus | (37) | (24) | 0 | 0 | 0 |
| **Cash flow from financing** | **(2,062)** | **(424)** | **(196)** | **(2,107)** | **(3,701)** |
| **Free cash flow** | **1,689** | **1,941** | **520** | **2,739** | **4,085** |

## VALUATION

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| Normalized PE (x) | 81.4 | 70.4 | 30.2 | 20.0 | 13.4 |
| Normalized PE - at target price (x) | 96.4 | 83.4 | 35.7 | 23.7 | 15.9 |
| PE (x) | 76.7 | 63.6 | 30.2 | 20.0 | 13.4 |
| PE - at target price (x) | 90.9 | 75.4 | 35.7 | 23.7 | 15.9 |
| EV/EBITDA (x) | 38.0 | 34.0 | 19.7 | 13.9 | 9.8 |
| EV/EBITDA - at target price (x) | 45.0 | 40.2 | 23.4 | 16.6 | 11.6 |
| P/BV (x) | 6.1 | 6.0 | 5.2 | 4.5 | 3.7 |
| P/BV - at target price (x) | 7.3 | 7.1 | 6.2 | 5.3 | 4.4 |
| P/CFO (x) | 33.5 | 32.3 | 28.4 | 16.3 | 12.5 |
| Price/sales (x) | 5.9 | 6.2 | 4.8 | 4.2 | 3.5 |
| Dividend yield (%) | 1.3 | 0.7 | 1.4 | 2.2 | 3.7 |
| FCF Yield (%) | 2.4 | 2.7 | 0.7 | 3.8 | 5.7 |
| **(Bt)** | | | | | |
| Normalized EPS | 0.7 | 0.9 | 2.0 | 3.0 | 4.5 |
| EPS | 0.8 | 1.0 | 2.0 | 3.0 | 4.5 |
| DPS | 0.8 | 0.4 | 0.8 | 1.4 | 2.3 |
| BV/share | 9.9 | 10.2 | 11.6 | 13.5 | 16.2 |
| CFO/share | 1.8 | 1.9 | 2.1 | 3.7 | 4.9 |
| FCF/share | 1.4 | 1.6 | 0.4 | 2.3 | 3.5 |

Sources: Company data, Thanachart estimates

*Profitability is strong as it is the lowest-cost producer in the industry*

## FINANCIAL RATIOS

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| **Growth Rate** | | | | | |
| Sales (%) | (13.5) | (4.7) | 29.6 | 14.4 | 19.6 |
| Net profit (%) | (53.6) | 20.6 | 111.0 | 50.5 | 48.9 |
| EPS (%) | (53.6) | 20.6 | 111.0 | 50.5 | 48.9 |
| Normalized profit (%) | (50.0) | 15.6 | 133.5 | 50.5 | 48.9 |
| Normalized EPS (%) | (50.0) | 15.6 | 133.5 | 50.5 | 48.9 |
| Dividend payout ratio (%) | 96.3 | 41.9 | 41.9 | 45.0 | 50.0 |
| **Operating performance** | | | | | |
| Gross margin (%) | 20.3 | 21.8 | 28.3 | 32.9 | 37.2 |
| Operating margin (%) | 7.4 | 9.2 | 16.8 | 22.4 | 27.9 |
| EBITDA margin (%) | 15.8 | 18.3 | 24.5 | 29.7 | 34.6 |
| Net margin (%) | 7.2 | 8.9 | 15.9 | 20.9 | 26.0 |
| D/E (incl. minor) (x) | 0.2 | 0.2 | 0.2 | 0.1 | 0.0 |
| Net D/E (incl. minor) (x) | 0.1 | (0.0) | 0.0 | (0.1) | (0.1) |
| Interest coverage - EBIT (x) | 14.7 | 18.5 | 35.8 | 51.9 | 132.9 |
| Interest coverage - EBITDA (x) | 31.3 | 36.7 | 52.0 | 68.9 | 164.3 |
| ROA - using norm profit (%) | 5.1 | 6.0 | 12.7 | 17.0 | 23.1 |
| ROE - using norm profit (%) | 7.4 | 8.6 | 18.5 | 24.2 | 30.4 |
| **DuPont** | | | | | |
| ROE - using after tax profit (%) | 7.4 | 8.6 | 18.5 | 24.2 | 30.4 |
| - asset turnover (x) | 0.7 | 0.7 | 0.8 | 0.8 | 0.9 |
| - operating margin (%) | 8.2 | 10.1 | 17.5 | 23.0 | 28.5 |
| - leverage (x) | 1.5 | 1.4 | 1.5 | 1.4 | 1.3 |
| - interest burden (%) | 93.8 | 95.1 | 97.3 | 98.1 | 99.3 |
| - tax burden (%) | 94.4 | 92.2 | 93.2 | 92.7 | 92.2 |
| WACC (%) | 10.9 | 10.9 | 10.9 | 10.9 | 10.9 |
| ROIC (%) | 6.2 | 7.7 | 19.5 | 25.3 | 35.1 |
| NOPAT (Bt m) | 848 | 980 | 2,344 | 3,548 | 5,268 |
| invested capital (Bt m) | 12,805 | 12,009 | 14,037 | 15,010 | 16,439 |

Sources: Company data, Thanachart estimates

## General Disclaimers And Disclosures:



This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 64 Derivative Warrants which are ADVA16C2105A, ADVA16C2107A, AEON16C2108A, AEON16C2105A, AOT16C2106A, BAM16C2107A, BANP16C2107A, BBL16C2106A, BDMS16C2107A, BGRI16C2105A, BPP16C2106A, CBG16C2109A, CBG16C2108A, COM716C2107A, CPAL16C2106A, CPF16C2108A, CPF16C2107A, DELT16C2108A, EA16C2108A, EA16C2107A, GLOB16C2105A, GPSC16C2109A, GPSC16C2106A, GULF16C2107A, GUNK16C2108A, HANA16C2107A, IRPC16C2108A, IRPC16C2105A, IVL16C2107A, KBAN16C2108A, KBAN16C2107A, KCE16C2109A, KCE16C2106A, KKP16C2105A, KTC16C2105A, KTC16C2106A, MINT16C2107A, MTC16C2108A, OR16C2108A, OR16C2106A, OR16C2107A, PRM16C2105A, PTG16C2105A, PTG16C2107A, PTT16C2109A, PTT16C2105A, PTTE16C2105A, PTTG16C2108A, RS16C2108A, S5016P2109A, S5016C2109A, S5016C2106B, S5016P2106C, S5016C2106A, S5016P2106A, S5016P2106B, SAWA16C2105A, SAWA16C2107A, SCB16C2106A, SCGP16C2107A, STA16C2107A, TASC16C2107A, TISC16C2105A, TQM16C2108A (underlying securities are ADVANC, AEONTS, AOT, BAM, BANPU, BBL, BDMS, BGRIM, BPP, CBG, COM7, CPALL, CPF, DELTA, EA, GLOBAL, GPSC, GULF, GUNKUL, HANA, IRPC, IVL, KBANK, KCE, KKP, KTC, MINT, MTC, OR, PRM, PTG, PTT, PTTEP, PTTGC, RS, SAWAD, SCB, SCGP, STA, SET50, TASCO, TISCO, TQM). Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

**Note:** Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

**Note:** Thanachart Capital Public Company Limited (TCAP), TMB Bank Public Company Limited (TMB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMB Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG ) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

**Disclosure of Interest of Thanachart Securities**
Investment Banking Relationship
Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB)

## Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

## Thanachart Securities Pcl.

Research Team
19 Floor, MBK Tower
444 Phayathai Road, Pathumwan Road, Bangkok 10330
Tel: 662 - 779-9119
Email: thanachart.res@thanachartsec.co.th

**Pimpaka Nichgaroon, CFA**
Head of Research
Tel: 662-779-9199
pimpaka.nic@thanachartsec.co.th

**Pattarawan Wangmingmat**
Senior Technical Analyst
Tel: 662-779-9105
pattarawan.wan@thanachartsec.co.th

**Phannarai Tiyapittayarut**
Property, Retail
Tel: 662-779-9109
phannarai.von@thanachartsec.co.th

**Sarachada Sornsong**
Bank, Finance, Insurance
Tel: 662-779-9106
sarachada.sor@thanachartsec.co.th

**Sittichet Rungrassameephat**
Analyst, Quantitative
Tel: 662-483-8303
sittichet.run@thanachartsec.co.th

**Adisak Phupiphathirungul, CFA**
Retail Market Strategy
Tel: 662-779-9120
adisak.phu@thanachartsec.co.th

**Nuttapop Prasitsuksant**
Telecom, Utilities
Tel: 662-483-8296
nuttapop.pra@thanachartsec.co.th

**Rata Limsuthiwanpoom**
Auto, Industrial Estate, Media, Prop. Fund
Tel: 662-483-8297
rata.lim@thanachartsec.co.th

**Siriporn Arunothai**
Small Cap, Healthcare, Hotel
Tel: 662-779-9113
siriporn.aru@thanachartsec.co.th

**Thaloengsak Kucharoenpaisan**
Analyst, Retail Market
Tel: 662-483-8304
thaloengsak.kuc@thanachartsec.co.th

**Chak Reungsinpinya**
Energy, Petrochemical, Paper
Tel: 662-779-9104
chak.reu@thanachartsec.co.th

**Pattadol Bunnak**
Electronics, Food & Beverage, Shipping
Tel: 662-483-8298
pattadol.bun@thanachartsec.co.th

**Saksid Phadthananarak**
Construction, Transportation
Tel: 662-779-9112
saksid.pha@thanachartsec.co.th

**Witchanan Tambamroong**
Technical Analyst
Tel: 662-779-9123
witchanan.tam@thanachartsec.co.th