

**BUY** (Unchanged)**TP: Bt 35.00**

(From: Bt 34.00)

Change in Numbers

**Upside : 52.8%****30 JUNE 2021**

# RS Public Co Ltd (RS TB)

## Delayed growth story

RS's growth story of new business lines is being delayed this year because of the prolonged third COVID wave. However, there is no change to its long-term business diversification into new areas and hemp products. We foresee its growth outlook being delayed by six months and estimate 55% EPS growth next year. Reaffirm BUY.

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### New businesses hit more by COVID

RS is still entering new business areas (being a producer with company-owned brands rather than just a commerce operator), i.e. functional drinks, pet food and food supplements, this year. However, we expect sales to fall short of our expectation. As the main distribution channels for these products are not on its existing commerce platforms (Ch.8, online RS Mall and other marketplace online platforms) but offline (convenience stores including 7-Eleven, traditional trade and specialty stores), the prolonged third COVID-19 wave is having a negative effect.

### Cutting our earnings

RS launched the functional drink "Camu C" which is sold in convenience stores and the premium collagen "Well U", which is sold via distributors to traditional trade outlets in April-May this year. It plans to launch pet food products in 2H21 to be sold in pet shops. While sales of its new products have been hit by the third COVID wave, marketing expenses are also involved, though the company is cutting its budget. We lower our new product sales assumption from Bt600m to Bt350m but our SG&A to sales forecast rises to 40% from 31% in 2021F, thus resulting in a 19% earnings cut this year. We only trim 2022-23F by 2-5%. We roll over our valuation base year to 2022F and our DCF-based 12-month TP rises to Bt35/share (from Bt34). Maintain BUY.

### Strong growth put off until next year

After our earnings cuts, we forecast only 9% EPS growth this year from higher marketing expenses. Growth is therefore pushed out into 2022F at 55%. Key drivers are 1) new product sales of Bt1.1bn, which includes hemp products; 2) 8% commerce sales growth; 3) SG&A to sales falling to 31% (from 40% in 2021F); and 4) 22% growth in Chase Asia's profit contribution. Note that for the media business we estimate its profit to fall by 7% in 2021F.

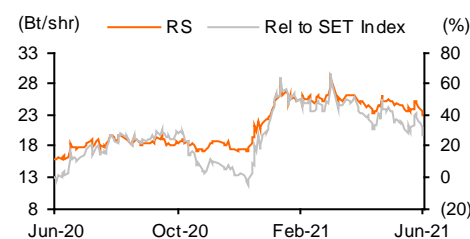
### No change to M&A plans

RS continues to work on potential M&As to expand and strengthen its above-mentioned new business lines. The company expects to finalize one M&A in 3Q21 with a minority stake in a consumer product OEM company that is expanding into the hemp supply chain, including hemp extraction. Note that RS is planning to have hemp SKUs in many of its product lines.

### COMPANY VALUATION

| Y/E Dec (Bt m)    | 2020A | 2021F  | 2022F | 2023F |
|-------------------|-------|--------|-------|-------|
| Sales             | 3,774 | 4,220  | 5,134 | 5,637 |
| Net profit        | 528   | 574    | 889   | 1,042 |
| Consensus NP      | —     | 761    | 958   | 1,091 |
| Diff frm cons (%) | —     | (24.5) | (7.1) | (4.4) |
| Norm profit       | 528   | 574    | 889   | 1,042 |
| Prev. Norm profit | —     | 711    | 935   | 1,066 |
| Chg frm prev (%)  | —     | (19.2) | (4.9) | (2.2) |
| Norm EPS (Bt)     | 0.5   | 0.6    | 0.9   | 1.1   |
| Norm EPS grw (%)  | 37.4  | 8.7    | 54.9  | 17.2  |
| Norm PE (x)       | 42.2  | 38.8   | 25.0  | 21.4  |
| EV/EBITDA (x)     | 18.7  | 16.7   | 11.6  | 10.6  |
| P/BV (x)          | 11.1  | 9.5    | 8.5   | 7.8   |
| Div yield (%)     | 0.0   | 2.1    | 3.4   | 4.0   |
| ROE (%)           | 28.4  | 26.4   | 35.8  | 38.1  |
| Net D/E (%)       | 28.7  | 37.9   | 24.6  | 5.5   |

### PRICE PERFORMANCE



### COMPANY INFORMATION

|                             |                           |
|-----------------------------|---------------------------|
| Price as of 30-Jun-21 (Bt)  | 22.90                     |
| Market Cap (US\$ m)         | 694.8                     |
| Listed Shares (m shares)    | 972.5                     |
| Free Float (%)              | 60.5                      |
| Avg Daily Turnover (US\$ m) | 11.1                      |
| 12M Price H/L (Bt)          | 29.00/15.70               |
| Sector                      | COMM                      |
| Major Shareholder           | Chetchotisak Family 23.6% |

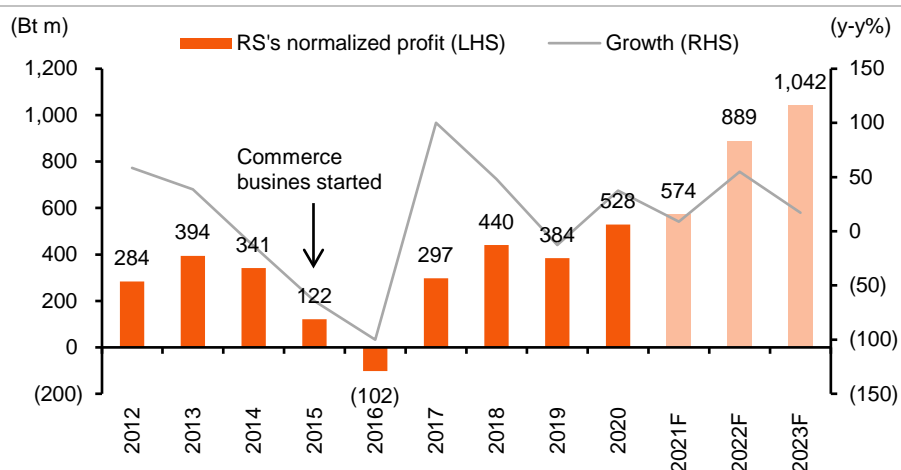
Sources: Bloomberg, Company data, Thanachart estimates

## Ex 1: Key Assumptions And Earnings Revisions

|                                   | 2021F  | 2022F | 2023F |
|-----------------------------------|--------|-------|-------|
| <b>Commerce revenue (Bt m)</b>    |        |       |       |
| New                               | 2,923  | 3,828 | 4,210 |
| Old                               | 3,149  | 3,953 | 4,355 |
| Change (%)                        | (7.2)  | (3.1) | (3.3) |
| <b>SG&amp;A/sales ratio (%)</b>   |        |       |       |
| New                               | 39.5   | 31.0  | 30.1  |
| Old                               | 31.0   | 28.5  | 27.6  |
| Change (pp)                       | 8.5    | 2.5   | 2.5   |
| <b>Normalized earnings (Bt m)</b> |        |       |       |
| New                               | 574    | 889   | 1,042 |
| Old                               | 711    | 935   | 1,066 |
| Change (%)                        | (19.2) | (4.9) | (2.2) |

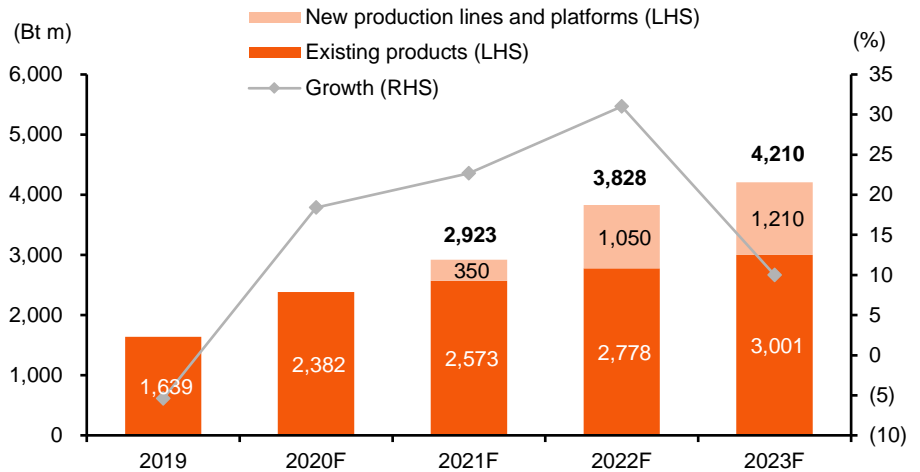
Sources: Company data, Thanachart estimates

## Ex 2: RS's Earnings Growth Path



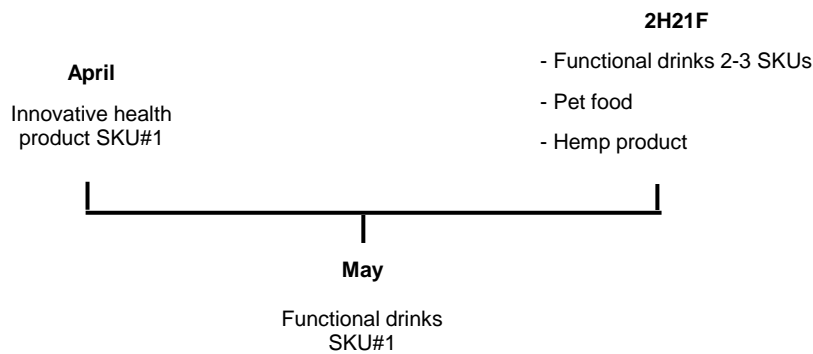
Sources: Company data, Thanachart estimates

**Ex 3: RS's Commerce Revenue**



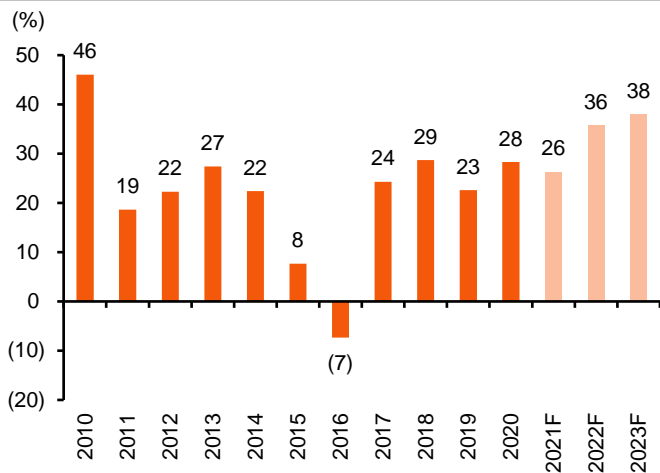
Sources: Company data, Thanachart estimates

**Ex 4: RS's Product Line-Up In 2H21F**



Sources: Company data, Thanachart estimates

**Ex 5: Rising ROE Trend**



Sources: Company data, Thanachart estimates

**Ex 6: RS's Share Price Valuation**

|   |             |
|---|-------------|
| <b>RS's existing business</b>               |             |
| Equity value (Bt m)                         | 31,122      |
| <b>RS's DCF-based TP (Bt/share)</b>         | <b>31.0</b> |
| <b>Chase Asia</b>                           |             |
| 2022F earnings per RS share (Bt/share)      | 0.12        |
| PE (x)                                      | 35          |
| <b>Chase Asia to RS in 2022F (Bt/share)</b> | <b>4.0</b>  |
| <b>RS's SOTP DCF-based TP (Bt/share)</b>    | <b>35.0</b> |

Sources: Company data, Thanachart estimates

**Ex 7: 12-month SOTP-derived DCF-based TP Calculation, Using A 2022F Base Year**

| (Bt m)                             | 2022F       | 2023F | 2024F | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F | Terminal Value |
|------------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------|
| EBITDA                             | 1,894       | 2,038 | 2,121 | 2,331 | 2,413 | 2,605 | 2,874 | 3,099 | 3,426 | 3,701 | 3,983 | —              |
| Free cash flow                     | 758         | 1,328 | 1,427 | 1,600 | 1,707 | 1,866 | 2,119 | 2,319 | 2,420 | 2,662 | 2,909 | 45,434         |
| PV of free cash flow               | 755         | 1,148 | 1,146 | 1,195 | 1,159 | 1,172 | 1,232 | 1,248 | 1,205 | 1,227 | 1,182 | 18,454         |
| Risk-free rate (%)                 | 2.5         |       |       |       |       |       |       |       |       |       |       |                |
| Market risk premium (%)            | 8.0         |       |       |       |       |       |       |       |       |       |       |                |
| Beta                               | 0.8         |       |       |       |       |       |       |       |       |       |       |                |
| WACC (%)                           | 7.6         |       |       |       |       |       |       |       |       |       |       |                |
| Terminal growth (%)                | 2.0         |       |       |       |       |       |       |       |       |       |       |                |
| Enterprise value - add investments | 31,122      |       |       |       |       |       |       |       |       |       |       |                |
| Net debt (2021F)                   | 891         |       |       |       |       |       |       |       |       |       |       |                |
| Minority interest                  | 2           |       |       |       |       |       |       |       |       |       |       |                |
| Equity value                       | 30,229      |       |       |       |       |       |       |       |       |       |       |                |
| # of shares (m)                    | 972         |       |       |       |       |       |       |       |       |       |       |                |
| <b>Equity value / share</b>        | <b>31.0</b> |       |       |       |       |       |       |       |       |       |       |                |
| <b>Investment:</b>                 |             |       |       |       |       |       |       |       |       |       |       |                |
| Chase Asia                         | 4.0         |       |       |       |       |       |       |       |       |       |       |                |
| <b>SOTP DCF-based TP</b>           | <b>35.0</b> |       |       |       |       |       |       |       |       |       |       |                |

Sources: Company data, Thanachart estimates

## Valuation Comparison

## Ex 8: Valuation Comparison With Regional Peers

| Name                 | BBG code  | Country   | EPS growth  |             | PE          |             | P/BV       |            | EV/EBITDA   |             | Div. yield |            |
|----------------------|-----------|-----------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|------------|------------|
|                      |           |           | 21F<br>(%)  | 22F<br>(%)  | 21F<br>(x)  | 22F<br>(x)  | 21F<br>(x) | 22F<br>(x) | 21F<br>(x)  | 22F<br>(x)  | 21F<br>(%) | 22F<br>(%) |
| Entertainment Ne     | ENIL IN   | India     | na          | na          | 495.5       | 20.3        | 1.0        | 1.0        | 7.1         | 5.1         | 0.8        | 1.4        |
| Sun TV Network       | SUNTV IN  | India     | 3.2         | 8.0         | 13.3        | 12.3        | 2.8        | 2.6        | 7.2         | 6.5         | 4.2        | 4.6        |
| Zee Entertainment    | Z IN      | India     | 84.5        | 16.1        | 14.0        | 12.0        | 1.8        | 1.7        | 8.6         | 7.5         | 1.8        | 2.2        |
| Surya Citra Media    | SCMA IJ   | Indonesia | 7.2         | 16.4        | 20.9        | 17.9        | 5.4        | 4.7        | 15.7        | 13.9        | 3.0        | 2.9        |
| Media Nusantara      | MNCN IJ   | Indonesia | 27.4        | 13.8        | 5.3         | 4.6         | 0.8        | 0.7        | 4.4         | 4.0         | 4.0        | 5.7        |
| Beijing Gehua        | 600037 CH | China     | 196.6       | 14.3        | 27.5        | 24.0        | 1.0        | 1.0        | 5.9         | 5.3         | 1.3        | 1.5        |
| Media Prima Bhd      | MPR MK    | Malaysia  | na          | 61.5        | 18.5        | 11.4        | 0.8        | 0.8        | 3.4         | 3.2         | 0.0        | 0.0        |
| BEC World*           | BEC TB    | Thailand  | na          | 44.9        | 37.1        | 25.6        | 4.8        | 4.6        | 9.1         | 8.0         | 2.4        | 3.5        |
| MAJOR Cineplex*      | MAJOR TB  | Thailand  | na          | 34.1        | 27.0        | 20.1        | 3.0        | 2.9        | 15.2        | 12.1        | 2.2        | 4.0        |
| Plan B Media*        | PLANB TB  | Thailand  | 44.6        | 173.3       | 118.7       | 43.4        | 4.4        | 4.1        | 9.3         | 7.7         | 0.3        | 1.3        |
| RS Pcl*              | RS TB     | Thailand  | 8.7         | 54.9        | 38.8        | 25.0        | 9.5        | 8.5        | 16.7        | 11.6        | 2.1        | 3.4        |
| VGI Global Media**   | VGI TB    | Thailand  | 322.2       | 58.0        | 67.1        | 42.5        | 4.0        | 3.8        | 44.6        | 32.5        | 1.1        | 1.8        |
| Workpoint Ent**      | WORK TB   | Thailand  | na          | na          | na          | 273.1       | 2.2        | 2.2        | 15.5        | 13.1        | 2.4        | 3.5        |
| Bangkok Com. Asset*  | BAM TB    | Thailand  | 90.6        | 36.4        | 17.1        | 12.6        | 1.5        | 1.4        | na          | na          | 3.5        | 4.8        |
| JMT Network Services | JMT TB    | Thailand  | 17.9        | 27.6        | 32.8        | 25.7        | 5.4        | 4.7        | 25.3        | 20.4        | 1.8        | 2.2        |
| Chayo Group          | CHAYO TB  | Thailand  | 38.6        | 31.7        | 49.7        | 37.7        | 5.2        | 4.2        | 28.4        | 19.1        | 0.5        | 0.6        |
| Beauty Community     | BEAUTY TB | Thailand  | na          | 210.2       | 113.3       | 37.0        | 5.5        | 5.3        | 41.5        | 22.8        | 0.5        | 1.9        |
| Do Day Dream         | DDD TB    | Thailand  | (92.5)      | na          | 462.5       | 36.3        | 1.3        | 1.3        | 49.2        | 18.2        | 4.7        | 2.4        |
| Karmarts             | KAMART TB | Thailand  | 39.1        | 14.3        | 19.4        | 17.0        | 3.7        | 3.6        | 14.0        | 12.7        | 4.9        | 5.6        |
| <b>Average</b>       |           |           | <b>60.6</b> | <b>51.0</b> | <b>87.7</b> | <b>36.8</b> | <b>3.4</b> | <b>3.1</b> | <b>17.8</b> | <b>12.4</b> | <b>2.2</b> | <b>2.8</b> |

Source: Bloomberg

Note: \* Thanachart estimates using normalized EPS growth

\*\* VGI's fiscal year ends in March.

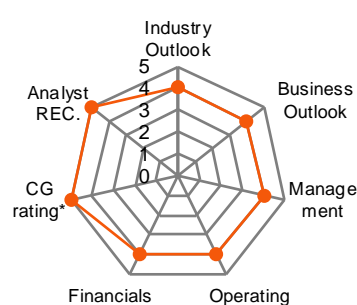
Based on 30-Jun-21 closing prices

## COMPANY DESCRIPTION

RS Public Company Limited (RS) operates a diversified media and entertainment business. The company and its subsidiaries produce recorded music on CDs, digital music, digital TV and satellite TV shows and dramas, radio programs, concerts and events, as well as sports programs.

Source: Thanachart

## COMPANY RATING



### Rating Scale

|                    |          |
|--------------------|----------|
| <b>Very Strong</b> | <b>5</b> |
| <b>Strong</b>      | <b>4</b> |
| <b>Good</b>        | <b>3</b> |
| <b>Fair</b>        | <b>2</b> |
| <b>Weak</b>        | <b>1</b> |
| <b>None</b>        | <b>0</b> |

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Integrated entertainment network and commerce businesses.
- Swift adjustments in response to changes in consumer demand.
- Targeting customers nationwide.

### O — Opportunity

- Exposure to its multi-platform commerce business.
- Capitalizing on its audience base on media with its on-air marketplace business.
- The opportunity to expand its product line to new target group clients that buy some products on credit.

### W — Weakness

- Dependent on domestic consumption momentum.
- Dependent on superstar artists.

### T — Threat

- Liberalization of broadcasting regulations.
- Technology and consumer preferences have shifted.
- Piracy of the company's products.
- Regulatory risks from the government agencies.

## CONSENSUS COMPARISON

|                              | Consensus     | Thanachart     | Diff           |
|------------------------------|---------------|----------------|----------------|
| <b>Target price (Bt)</b>     | 29.83         | 35.00          | 17%            |
| <b>Net profit 21F (Bt m)</b> | 761           | 574            | -25%           |
| <b>Net profit 22F (Bt m)</b> | 958           | 889            | -7%            |
| <b>Consensus REC</b>         | <b>BUY: 8</b> | <b>HOLD: 1</b> | <b>SELL: 0</b> |

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021F net profit is 25% below the Bloomberg consensus estimate, which we attribute to us factoring in the impact of the third COVID wave.
- However, our DCF-based TP is 17% higher, likely reflecting us having a more positive view on the growth of the commerce business and Chase Asia's performance over the longer term.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- The key downside risk to our call would be if RS's retail revenue were to come in lower than we currently assume.
- A secondary downside risk would be if new regulations were to be imposed on beauty and health-business commercials appearing on media channels.
- A further downside risk would be if the digital-TV business performance does not reach our expectations because of sluggish domestic consumption or fierce competition.
- Another downside risk would be if the performance of Chase Asia does not reach our expectations because of lower-than-expected new debt purchased and/or its debt-collection performance.

Source: Thanachart

**INCOME STATEMENT**

| <b>FY ending Dec (Bt m)</b>       | <b>2019A</b> | <b>2020A</b> | <b>2021F</b> | <b>2022F</b> | <b>2023F</b> |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales                             | 3,611        | 3,774        | 4,220        | 5,134        | 5,637        |
| Cost of sales                     | 2,020        | 1,769        | 1,976        | 2,532        | 2,773        |
| <b>Gross profit</b>               | <b>1,591</b> | <b>2,006</b> | <b>2,244</b> | <b>2,602</b> | <b>2,865</b> |
| % gross margin                    | 44.1%        | 53.1%        | 53.2%        | 50.7%        | 50.8%        |
| Selling & administration expenses | 1,079        | 1,317        | 1,665        | 1,593        | 1,698        |
| <b>Operating profit</b>           | <b>513</b>   | <b>689</b>   | <b>579</b>   | <b>1,009</b> | <b>1,166</b> |
| % operating margin                | 14.2%        | 18.3%        | 13.7%        | 19.6%        | 20.7%        |
| Depreciation & amortization       | 577          | 534          | 805          | 967          | 956          |
| <b>EBITDA</b>                     | <b>1,089</b> | <b>1,223</b> | <b>1,384</b> | <b>1,975</b> | <b>2,122</b> |
| % EBITDA margin                   | 30.2%        | 32.4%        | 32.8%        | 38.5%        | 37.6%        |
| Non-operating income              | 11           | 17           | 17           | 10           | 11           |
| Non-operating expenses            | (6)          | (4)          | 0            | 0            | 0            |
| Interest expense                  | (35)         | (36)         | (45)         | (53)         | (39)         |
| <b>Pre-tax profit</b>             | <b>483</b>   | <b>666</b>   | <b>551</b>   | <b>965</b>   | <b>1,139</b> |
| Income tax                        | 97           | 137          | 73           | 193          | 228          |
| <b>After-tax profit</b>           | <b>385</b>   | <b>528</b>   | <b>478</b>   | <b>772</b>   | <b>911</b>   |
| % net margin                      | 10.7%        | 14.0%        | 11.3%        | 15.0%        | 16.2%        |
| Shares in affiliates' Earnings    | 0            | 0            | 96           | 117          | 131          |
| Minority interests                | (1)          | 0            | 0            | 0            | 0            |
| Extraordinary items               | (21)         | 0            | 0            | 0            | 0            |
| <b>NET PROFIT</b>                 | <b>363</b>   | <b>528</b>   | <b>574</b>   | <b>889</b>   | <b>1,042</b> |
| <b>Normalized profit</b>          | <b>384</b>   | <b>528</b>   | <b>574</b>   | <b>889</b>   | <b>1,042</b> |
| EPS (Bt)                          | 0.4          | 0.5          | 0.6          | 0.9          | 1.1          |
| Normalized EPS (Bt)               | 0.4          | 0.5          | 0.6          | 0.9          | 1.1          |

*Due to the COVID hit, we foresee strong growth shifting to next year*

**BALANCE SHEET**

| <b>FY ending Dec (Bt m)</b>     | <b>2019A</b> | <b>2020A</b> | <b>2021F</b> | <b>2022F</b> | <b>2023F</b> |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>ASSETS:</b>                  |              |              |              |              |              |
| Current assets:                 | 1,117        | 1,174        | 1,417        | 1,782        | 1,926        |
| Cash & cash equivalent          | 328          | 200          | 300          | 300          | 300          |
| Account receivables             | 516          | 711          | 809          | 1,055        | 1,158        |
| Inventories                     | 259          | 229          | 271          | 382          | 418          |
| Others                          | 13           | 33           | 37           | 45           | 50           |
| Investments & loans             | 4            | 4            | 4            | 4            | 4            |
| Net fixed assets                | 504          | 642          | 1,416        | 1,530        | 1,259        |
| Other assets                    | 1,782        | 2,697        | 2,486        | 2,357        | 2,314        |
| <b>Total assets</b>             | <b>3,407</b> | <b>4,516</b> | <b>5,323</b> | <b>5,673</b> | <b>5,503</b> |
| <b>LIABILITIES:</b>             |              |              |              |              |              |
| Current liabilities:            | 1,266        | 1,814        | 2,079        | 2,230        | 2,015        |
| Account payables                | 651          | 1,016        | 1,083        | 1,387        | 1,519        |
| Bank overdraft & ST loans       | 530          | 620          | 833          | 663          | 320          |
| Current LT debt                 | 0            | 0            | 0            | 0            | 0            |
| Others current liabilities      | 84           | 178          | 163          | 180          | 177          |
| <b>Total LT debt</b>            | <b>236</b>   | <b>156</b>   | <b>357</b>   | <b>284</b>   | <b>137</b>   |
| Others LT liabilities           | 178          | 543          | 539          | 529          | 498          |
| <b>Total liabilities</b>        | <b>1,680</b> | <b>2,512</b> | <b>2,974</b> | <b>3,043</b> | <b>2,651</b> |
| Minority interest               | 2            | 2            | 2            | 2            | 2            |
| Preferreds shares               | 0            | 0            | 0            | 0            | 0            |
| Paid-up capital                 | 972          | 972          | 972          | 972          | 972          |
| Share premium                   | 322          | 322          | 322          | 322          | 322          |
| Warrants                        | 0            | 0            | 0            | 0            | 0            |
| Surplus                         | 0            | (160)        | (160)        | (160)        | (160)        |
| <b>Retained earnings</b>        | <b>430</b>   | <b>867</b>   | <b>1,212</b> | <b>1,494</b> | <b>1,715</b> |
| Shareholders' equity            | 1,725        | 2,002        | 2,347        | 2,628        | 2,850        |
| <b>Liabilities &amp; equity</b> | <b>3,407</b> | <b>4,516</b> | <b>5,323</b> | <b>5,673</b> | <b>5,503</b> |

Sources: Company data, Thanachart estimates

*Chase Asia investment and normal capex planned for commerce business*

**CASH FLOW STATEMENT**

| <b>FY ending Dec (Bt m)</b>       | <b>2019A</b> | <b>2020A</b>   | <b>2021F</b>   | <b>2022F</b> | <b>2023F</b>   |
|-----------------------------------|--------------|----------------|----------------|--------------|----------------|
| Earnings before tax               | 483          | 666            | 551            | 965          | 1,139          |
| Tax paid                          | (97)         | (137)          | (73)           | (193)        | (228)          |
| Depreciation & amortization       | 577          | 534            | 805            | 967          | 956            |
| Chg In working capital            | (19)         | 200            | (73)           | (52)         | (8)            |
| Chg In other CA & CL / minorities | (0)          | 69             | 72             | 126          | 123            |
| <b>Cash flow from operations</b>  | <b>943</b>   | <b>1,331</b>   | <b>1,282</b>   | <b>1,813</b> | <b>1,982</b>   |
| Capex                             | (749)        | (593)          | (1,500)        | (1,000)      | (600)          |
| Right of use                      | 0            | (551)          | (20)           | (20)         | (20)           |
| ST loans & investments            | 0            | 0              | 0              | 0            | 0              |
| LT loans & investments            | (0)          | 0              | 0              | 0            | 0              |
| Adj for asset revaluation         | 0            | 0              | 0              | 0            | 0              |
| Chg In other assets & liabilities | (3)          | (74)           | 153            | 58           | (50)           |
| <b>Cash flow from investments</b> | <b>(752)</b> | <b>(1,218)</b> | <b>(1,367)</b> | <b>(962)</b> | <b>(670)</b>   |
| Debt financing                    | 108          | 10             | 415            | (244)        | (490)          |
| Capital increase                  | 26           | 0              | (0)            | 0            | 0              |
| Dividends paid                    | (388)        | (96)           | (230)          | (608)        | (821)          |
| Warrants & other surplus          | 52           | (155)          | 0              | 0            | 0              |
| <b>Cash flow from financing</b>   | <b>(201)</b> | <b>(241)</b>   | <b>185</b>     | <b>(852)</b> | <b>(1,311)</b> |
| <b>Free cash flow</b>             | <b>194</b>   | <b>738</b>     | <b>(218)</b>   | <b>813</b>   | <b>1,382</b>   |

*We expect RS's PE to fall in 2022F, supported by strong earnings growth*

**VALUATION**

| <b>FY ending Dec</b>                | <b>2019A</b> | <b>2020A</b> | <b>2021F</b> | <b>2022F</b> | <b>2023F</b> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Normalized PE (x)                   | 57.9         | 42.2         | 38.8         | 25.0         | 21.4         |
| Normalized PE - at target price (x) | 88.5         | 64.4         | 59.3         | 38.3         | 32.7         |
| PE (x)                              | 61.3         | 42.2         | 38.8         | 25.0         | 21.4         |
| PE - at target price (x)            | 93.7         | 64.4         | 59.3         | 38.3         | 32.7         |
| EV/EBITDA (x)                       | 20.8         | 18.7         | 16.7         | 11.6         | 10.6         |
| EV/EBITDA - at target price (x)     | 31.7         | 28.3         | 25.2         | 17.6         | 16.1         |
| P/BV (x)                            | 12.9         | 11.1         | 9.5          | 8.5          | 7.8          |
| P/BV - at target price (x)          | 19.7         | 17.0         | 14.5         | 13.0         | 11.9         |
| P/CFO (x)                           | 23.6         | 16.7         | 17.4         | 12.3         | 11.2         |
| Price/sales (x)                     | 6.2          | 5.9          | 5.3          | 4.3          | 4.0          |
| Dividend yield (%)                  | 1.3          | 0.0          | 2.1          | 3.4          | 4.0          |
| FCF Yield (%)                       | 0.9          | 3.3          | (1.0)        | 3.7          | 6.2          |
| <b>(Bt)</b>                         |              |              |              |              |              |
| Normalized EPS                      | 0.4          | 0.5          | 0.6          | 0.9          | 1.1          |
| EPS                                 | 0.4          | 0.5          | 0.6          | 0.9          | 1.1          |
| DPS                                 | 0.3          | 0.0          | 0.5          | 0.8          | 0.9          |
| BV/share                            | 1.8          | 2.1          | 2.4          | 2.7          | 2.9          |
| CFO/share                           | 1.0          | 1.4          | 1.3          | 1.9          | 2.0          |
| FCF/share                           | 0.2          | 0.8          | (0.2)        | 0.8          | 1.4          |

Sources: Company data, Thanachart estimates

*RS's robust ROE reflects the performance of its commerce business and Chase Asia*

**FINANCIAL RATIOS**

| <b>FY ending Dec</b>             | <b>2019A</b> | <b>2020A</b> | <b>2021F</b> | <b>2022F</b> | <b>2023F</b> |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Growth Rate</b>               |              |              |              |              |              |
| Sales (%)                        | (5.6)        | 4.5          | 11.8         | 21.7         | 9.8          |
| Net profit (%)                   | (29.6)       | 45.4         | 8.7          | 54.9         | 17.2         |
| EPS (%)                          | (35.1)       | 45.4         | 8.7          | 54.9         | 17.2         |
| Normalized profit (%)            | (12.7)       | 37.4         | 8.7          | 54.9         | 17.2         |
| Normalized EPS (%)               | (19.6)       | 37.4         | 8.7          | 54.9         | 17.2         |
| Dividend payout ratio (%)        | 80.3         | 0.0          | 80.0         | 85.0         | 85.0         |
| <b>Operating performance</b>     |              |              |              |              |              |
| Gross margin (%)                 | 44.1         | 53.1         | 53.2         | 50.7         | 50.8         |
| Operating margin (%)             | 14.2         | 18.3         | 13.7         | 19.6         | 20.7         |
| EBITDA margin (%)                | 30.2         | 32.4         | 32.8         | 38.5         | 37.6         |
| Net margin (%)                   | 10.7         | 14.0         | 11.3         | 15.0         | 16.2         |
| D/E (incl. minor) (x)            | 0.4          | 0.4          | 0.5          | 0.4          | 0.2          |
| Net D/E (incl. minor) (x)        | 0.3          | 0.3          | 0.4          | 0.2          | 0.1          |
| Interest coverage - EBIT (x)     | 14.8         | 19.1         | 13.0         | 18.9         | 30.0         |
| Interest coverage - EBITDA (x)   | 31.5         | 33.9         | 31.0         | 36.9         | 54.6         |
| ROA - using norm profit (%)      | 10.3         | 13.3         | 11.7         | 16.2         | 18.7         |
| ROE - using norm profit (%)      | 22.6         | 28.4         | 26.4         | 35.8         | 38.1         |
| <b>DuPont</b>                    |              |              |              |              |              |
| ROE - using after tax profit (%) | 22.7         | 28.3         | 22.0         | 31.0         | 33.3         |
| - asset turnover (x)             | 1.0          | 1.0          | 0.9          | 0.9          | 1.0          |
| - operating margin (%)           | 14.3         | 18.6         | 14.1         | 19.8         | 20.9         |
| - leverage (x)                   | 2.2          | 2.1          | 2.3          | 2.2          | 2.0          |
| - interest burden (%)            | 93.3         | 94.9         | 92.5         | 94.8         | 96.7         |
| - tax burden (%)                 | 79.8         | 79.4         | 86.7         | 80.0         | 80.0         |
| WACC (%)                         | 7.6          | 7.6          | 7.6          | 7.6          | 7.6          |
| ROIC (%)                         | 20.6         | 25.3         | 18.0         | 24.9         | 28.5         |
| NOPAT (Bt m)                     | 409          | 547          | 463          | 807          | 933          |
| invested capital (Bt m)          | 2,163        | 2,578        | 3,237        | 3,275        | 3,006        |

Sources: Company data, Thanachart estimates

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