BUY (Unchanged)

Change in Numbers

TP: Bt 75.00 (From: Bt 73.00)

Upside : 16.7%

21 SEPTEMBER 2021

Thanachart Securities

CP ALL Public Co Ltd (CPALL TB)

New cycle on the horizon

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We reaffirm BUY on CPALL as we see it as a laggard play about to start a new earnings cycle with a 50% EPS CAGR in 2022-24F. And with Lotus's shareholding restructuring bringing synergies, cutting debt and lowering interest rates, we lift our TP for CPALL to Bt75.

BUY into a new earnings cycle

Having underperformed the SET for three years, we reaffirm our BUY rating on CPALL for the following reasons. *First*, we expect CPALL to enjoy a new earnings cycle with 85/43/27% EPS growth in 2022-24F from a low base of -38% in 2021F. *Second*, we expect CPALL to benefit slightly from CP Group's planned Lotus shareholding restructuring and we raise our earnings for CPALL by 3/8/7% in 2022-24F and DCF-based 12-month TP (2022F base year) to Bt75 from Bt73. *Third*, CPALL looks inexpensive to us trading on 24x PE in a full recovery year in 2023F when we expect its earnings to surpass the level in 2019.

The turnaround story

Key drivers for CPALL's earnings turnaround are its 7-Eleven CVS business, Lotus's earnings turnaround, and falling interest expenses from debt repayment. We expect the COVID crisis to ease next year with lower risks from lockdowns and curfews that have hit its CVS since last year and a gradual return of tourists (5% of 2019 sales) in 2H22F. We project CVS sales to grow by 13/12/11% in 2022-24F. We also expect CPALL to sell some of its stake in MAKRO in a public offering (PO) and use the proceeds to pay down debt. We estimate CPALL's interest expenses to fall by Bt3.3/0.7/0.8bn in 2022-24F. And we forecast Lotus to turn from a Bt1.2bn loss in 2021F to profits of Bt6.7bn/11.3bn/13.3bn in 2022-24F.

The Lotus factor

We factor in Lotus's planned shareholding restructuring in this report. In the plan, MAKRO would own 100% of Lotus and CPALL would no longer hold a direct stake in Lotus (vs. 40% now). MAKRO plans to finance the Lotus takeover via a share swap and also a PO to reduce the debt that comes with Lotus. At the end of the process, CPALL's stake in a much bigger MAKRO would fall from 93.1% to 51.6%. And net-net, we lift CPALL's earnings by 3/8/7% in 2022-24F to factor in 1) higher synergy value from the MAKRO-Lotus businesses; 2) MAKRO's lower interest expenses via lower funding costs from Lotus's refinancing and debt repayment; and 3) CPALL's lower interest expenses via debt repayment by selling some of its MAKRO stake in the PO.

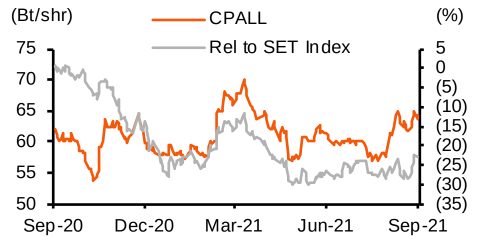
Inexpensive in our view

As a big-cap stock with a strong EPS turnaround of 85/43/27% in 2022-24F, we see CPALL's PE as undemanding at 34x in 2022F and just 24x in 2023F, when we expect its earnings to turn around fully and surpass the 2019 pre-COVID level of Bt22bn. Note that CPALL's five-year pre-COVID average PE is 30.7x.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	546,207	557,640	613,332	679,522
Net profit	16,102	10,232	18,061	25,402
Consensus NP	—	11,226	17,035	20,875
Diff frm cons (%)	—	*(8.9)*	*6.0*	*21.7*
Norm profit	15,876	10,232	18,061	25,402
Prev. Norm profit	—	10,682	17,548	23,557
Chg frm prev (%)	—	*(4.2)*	*2.9*	*7.8*
Norm EPS (Bt)	1.7	1.0	1.9	2.7
Norm EPS grw (%)	(30.0)	(37.9)	84.8	43.0
Norm PE (x)	38.8	62.5	33.8	23.7
EV/EBITDA (x)	16.4	17.9	15.2	12.8
P/BV (x)	6.0	5.8	5.2	4.6
Div yield (%)	1.4	0.8	1.5	2.1
ROE (%)	16.7	10.4	17.1	21.5
Net D/E (%)	180.8	104.6	89.1	70.7

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 21-Sep-21 (Bt)	64.25
Market Cap (US$ m)	17,294.3
Listed Shares (m shares)	8,983.1
Free Float (%)	57.5
Avg Daily Turnover (US$ m)	47.4
12M Price H/L (Bt)	70.00/53.75
Sector	Commerce
Major Shareholder	CP Group 35.58%

Sources: Bloomberg, Company data, Thanachart estimates

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BUY into a new earnings cycle

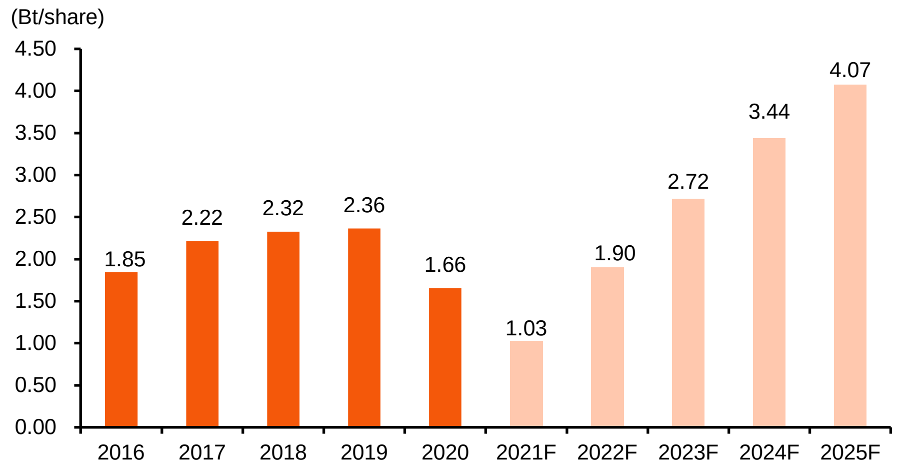
BUY as one of our top sector picks

We reaffirm our BUY rating on CP All Pcl (CPALL) as one of our top sector picks. The stock is a laggard play, having underperformed the Stock Exchange of Thailand (SET) by 10% over the past three years, and it looks poised to experience a strong earnings turnaround.

New earnings cycle is starting

First, we expect a new earnings cycle for CPALL to begin with 85/43/27% EPS growth in 2022-24F from a low base of -38% in 2021F.

Ex 1: New Earnings Cycle Set To Start In 2022F



Sources: Company data, Thanachart estimates

Better off after Lotus deal, on our estimates

Second, we quantify the earnings impact from the Lotus shareholding restructuring and find that CPALL would emerge slightly better off from the deal (see Exhibit 9) which leads us to boost our earnings by 3/8/7% in 2022-24F. Our DCF-based 12-month TP, using a 2022F base year, rises by 3% to Bt75/share, from Bt73 previously.

Ex 2: Key Assumption Changes

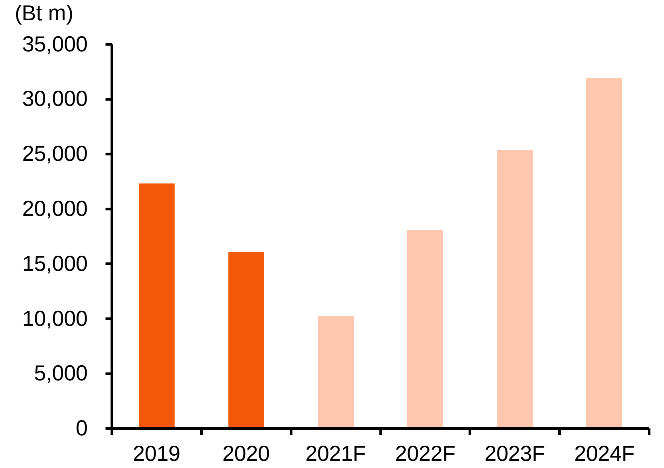
	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Lotus's profit contribution (Bt m)												
- New	(475)	0	0	0	0	0	0	0	0	0	0	0
- Old	(475)	1,078	2,300	3,027	3,297	3,582	3,883	4,201	4,538	4,894	5,270	5,669
Change (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
MAKRO's profit contribution (Bt m)												
- New	6,529	7,455	10,332	12,052	13,264	14,351	15,339	16,373	17,450	18,569	19,737	20,960
- Old	6,732	7,211	8,098	9,368	10,786	11,942	12,884	13,867	14,885	15,935	17,026	18,163
Change (%)	*(3.1)*	*3.3*	*21.6*	*22.3*	*18.7*	*16.8*	*16.0*	*15.3*	*14.7*	*14.2*	*13.7*	*13.3*
Interest expenses (Bt m)												
- New	11,576	8,259	7,550	6,751	6,066	8,306	7,109	6,295	5,362	4,549	3,890	3,640
- Old	11,545	9,605	8,863	8,034	7,266	9,241	7,945	6,990	5,915	4,964	4,221	3,802
Change (%)	*0*	*(14)*	*(15)*	*(16)*	*(17)*	*(10)*	*(11)*	*(10)*	*(9)*	*(8)*	*(8)*	*(4)*
Normalized profit (Bt m)												
- New	10,232	18,061	25,402	31,898	37,598	41,098	46,906	52,677	58,448	65,351	72,539	79,918
- Old	10,682	17,548	23,557	29,934	36,079	39,745	45,566	51,380	57,199	64,158	71,354	78,909
Change (%)	*(4.2)*	*2.9*	*7.8*	*6.6*	*4.2*	*3.4*	*2.9*	*2.5*	*2.2*	*1.9*	*1.7*	*1.3*

Source: Thanachart estimates

Inexpensive PE in our view

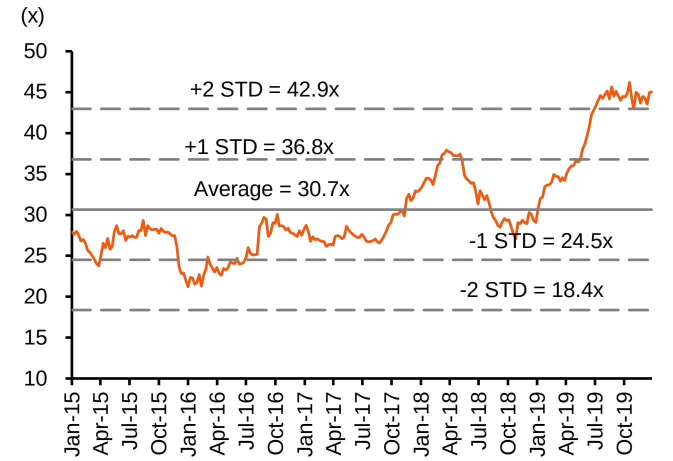
Third, as a big-cap stock with a strong EPS turnaround, CPALL's valuation looks undemanding to us trading at 24x PE on a full recovery year for earnings in 2023F when we expect its earnings to surpass its record-high pre-COVID profit of Bt22bn in 2019. Note that CPALL's five-year pre-COVID average PE from 2015-19 stands at 30.7x.

Ex 3: CPALL's Net Profit



Sources: Company data, Thanachart estimates

Ex 4: CPALL's PE



Sources: Bloomberg, Thanachart estimates

The turnaround story

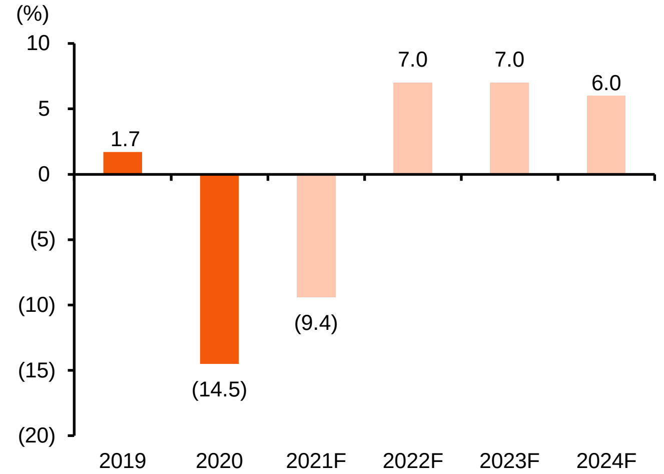
Earnings turnaround from 1) core 7-Eleven CVS, 2) Lotus, 3) deleveraging

Having been hit by the COVID crisis for two years in 2020-21F, we foresee CPALL's key turnaround areas coming from both its 7-Eleven convenience store (CVS) and Lotus businesses. As we foresee lower lockdown and curfew risks next year on a higher vaccination rate, we expect 7-Eleven to resume same-store-sales growth (SSSG) at 7/7/6% in 2022-24F, after declines of 14.5% and 9.4% in 2020-21F, while we also expect a recovery in domestic travel and consumption. Since 7-Eleven branch openings continue at 700 new outlets per year, we expect CVS sales to grow by 13/12/11% in 2022-24F. For Lotus, we project it to turn from a net loss of Bt1.2bn this year to profits of Bt6.7bn/11.3bn/13.3bn in 2022-24F on improving hypermarket sales, a rebound in rental income with lower rental discounts, and falling interest expenses from some Lotus debt repayments and refinancing. As Lotus would become MAKRO's 100%-held subsidiary, growing Lotus profits would drive a higher MAKRO profit contribution to CPALL.

We also expect deleveraging benefits to speed up as CPALL plans to sell some of its stake in MAKRO in a public offering (PO). It would likely use the proceeds to pay down debt and we estimate CPALL's interest expenses to fall by Bt3.3/0.7/0.8bn in 2022-24F from a peak of Bt11.6bn this year.

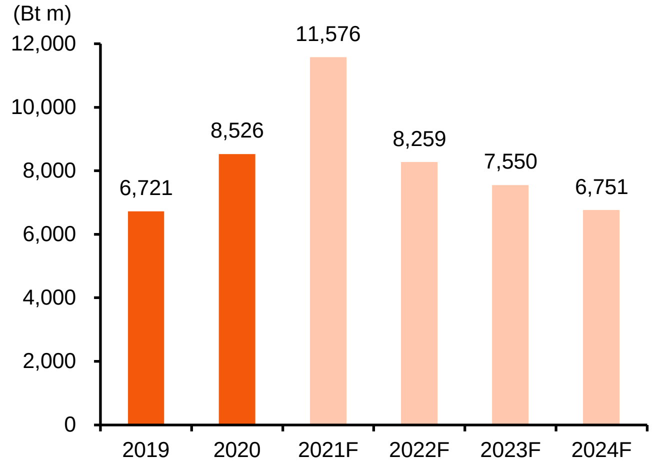
For all the above-mentioned reasons, we expect CPALL's earnings to bottom out this year with a solid 50% three-year EPS CAGR in 2022-24F.

Ex 5: 7-Eleven's SSSG



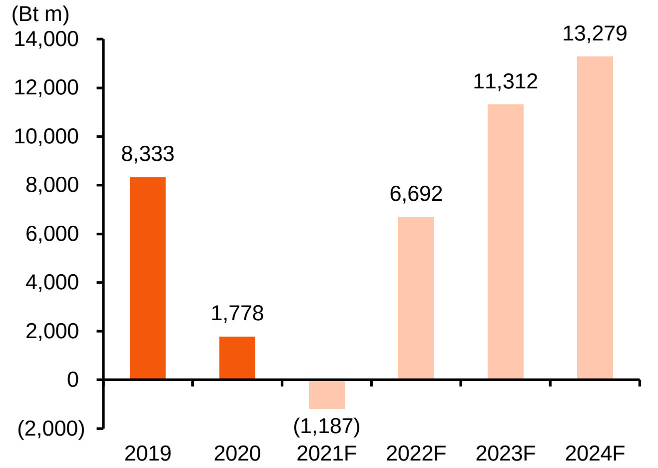
Sources: Company data, Thanachart estimates

Ex 6: Falling Interest Costs



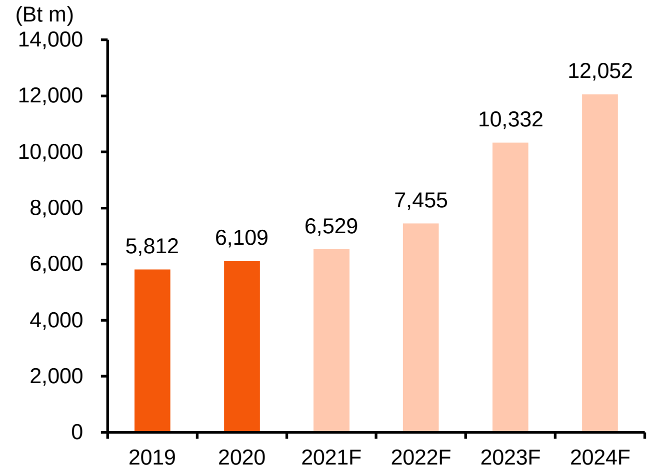
Sources: Company data, Thanachart estimates

Ex 7: Lotus's Earnings Turnaround



Sources: Company data, Thanachart estimates

Ex 8: MAKRO's Profit Contribution



Sources: Company data, Thanachart estimates

The Lotus factor

Despite its diluted stake in MAKRO, CPALL is slightly positive from Lotus deal

In this report, we incorporate CP Group's plan to restructure the shareholding structure of Lotus, of which CPALL now owns 40% via equity income. The new structure is for MAKRO to hold 100% of Lotus. MAKRO would therefore issue new shares for a share swap process called an entire business transfer (EBT). Post EBT, CPALL's stake in MAKRO would decline from 93.08% to 65.97%. Later, MAKRO would further increase capital through a public offering (PO), while CPALL would also sell off some of its stake in the PO. This step would dilute CPALL's stake in MAKRO to 51.63% and CPALL would eventually not own a direct stake in Lotus (only indirectly via subsidiary MAKRO).

With its falling stake in MAKRO, we calculate the profit contribution from MAKRO's cash & carry and Lotus businesses to CPALL to be lower compared to the current shareholding structure. But factoring in 1) higher synergy value from the MAKRO-Lotus businesses, 2) MAKRO's reduced interest expenses from lower funding costs from Lotus's refinancing and debt repayment, and 3) CPALL's lower interest expenses from debt repayment via its stake sale of MAKRO in the PO, we see CPALL emerging net positive from the Lotus deal with incremental profit of Bt274m in 2022F, Bt1,042m in 2023F and Bt765m in 2024F, or a 3-10% increase.

Ex 9: CPALL Would Emerge Net Positive From The Lotus Deal

(Bt m)	Before			After		
	2022F	2023F	2024F	2022F	2023F	2024F
MAKRO's profit, incl. Lotus	7,747	8,700	10,064	14,439	20,012	23,343
Lotus's profit*	2,696	5,751	7,568	6,692	11,312	13,279
Contribution to CPALL						
Stake in MAKRO**	93.08%	93.08%	93.08%	51.63%	51.63%	51.63%
Stake in Lotus	40.00%	40.00%	40.00%	-	-	-
Profit contribution from MAKRO	7,211	8,098	9,368	7,455	10,332	12,052
Profit contribution from Lotus	1,078	2,300	3,027	0	0	0
CPALL's interest savings***				1,108	1,108	1,108
Total profit contribution	**8,289**	**10,398**	**12,395**	**8,563**	**11,440**	**13,160**
Post-deal contribution accretion				274	1,042	765
% change after the deal				3.3%	10.0%	6.2%

Source: Thanachart estimates

Note: *Lotus's post-deal profit factors in the following:
1) Lotus's debt repayment of Bt65bn (using MAKRO's PO proceeds).
2) Refinancing of Lotus's remaining debt of Bt55bn.
3) Cost-saving synergies of Bt1bn in 2022F and Bt2bn p.a. in 2023-24F.

Note: **Stake in Makro falls after EBT to 65.97% and then after the PO to 51.63%

Note: ***CPALL would pay down debt using PO proceeds under the following assumptions
1) Total MAKRO share sale by CPALL in the PO: 363.2m + 340.5m (greenshoe) = 703.7m shares
2) Cash proceeds assuming a Bt48 PO price = Bt33,778m
3) Interest savings assuming CPALL's cost of debt of 4.1% = Bt1,385m (Bt1,108m after tax)

Ex 10: 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		45,286	54,197	62,734	70,246	77,637	84,230	91,032	98,017	106,509	115,475	124,800	
Free cash flow		29,759	37,854	45,898	55,400	60,865	66,462	72,564	78,888	86,473	94,476	102,688	1,484,241
PV of free cash flow		29,678	32,385	36,308	40,531	40,308	40,533	40,743	40,790	41,174	44,975	43,130	623,400
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	8.1												
Terminal growth (%)	2.0												
Enterprise value -	1,053,956												
add investments													
Net debt (end-2021F)	245,402												
Minority interest	134,558												
Equity value	673,995												
# of shares (m)	8,986												
Equity value/share (Bt)	**75.00**												

Sources: Company data, Thanachart estimates

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 (x)	EV/EBITDA 22F (x)	Div. yield 21F (%)	Div. yield 22F (%)
Marks & Spencer	MKS LN	Britain	(86.7)	na	75.8	11.6	1.0	1.4	8.8	6.3	0.0	0.7
J Sainsbury PLC	SBRY LN	Britain	(44.4)	99.1	23.9	12.0	0.8	0.9	6.5	5.6	5.5	4.4
Tesco	TSCO LN	Britain	(53.0)	86.3	22.8	12.3	1.1	1.4	8.8	7.4	3.5	4.1
Carrefour SA	CA FP	France	12.4	13.3	10.5	9.3	1.1	1.1	6.3	5.9	3.7	4.1
Casino Guichard	CO FP	France	29.1	16.9	11.3	9.6	0.8	0.8	7.3	6.9	4.6	5.4
L'Oreal SA	OR FP	France	19.4	9.2	44.4	40.7	7.0	6.5	27.4	25.3	1.2	1.3
Alimentation Couche	ATD/B CN	Canada	22.7	2.3	20.4	20.0	4.5	4.1	9.5	9.4	0.6	0.7
Aeon	8267 JP	Japan	na	na	na	91.4	2.5	2.7	10.7	9.0	1.2	1.2
Kao Corporation	4452 JP	Japan	0.9	11.2	25.0	22.5	3.4	3.2	12.4	11.4	2.2	2.3
Lion Corporation	4912 JP	Japan	(25.3)	4.8	24.2	23.1	2.1	2.0	10.7	10.1	1.3	1.4
Shiseido Co. Ltd	4911 JP	Japan	na	23.2	63.6	51.6	5.9	5.5	28.0	19.5	0.7	0.7
Lawson	2651 JP	Japan	(56.6)	96.1	64.0	32.6	2.2	2.1	4.5	3.9	2.6	2.6
Seven & I Holdings	3382 JP	Japan	(25.7)	33.3	28.6	21.5	1.7	1.6	6.9	5.6	1.9	2.0
Lotte Corp	004990 KS	South Korea	152.4	22.8	11.7	9.6	0.6	0.5	9.1	8.8	3.5	3.7
Shinsegae	004170 KS	South Korea	na	28.0	11.4	8.9	0.7	0.6	8.3	8.2	0.7	0.7
Amore Pacific Group	002790 KS	South Korea	191.4	18.9	24.5	20.6	1.5	1.4	5.8	4.9	0.7	0.7
Best Buy Co Inc	BBY US	USA	23.4	(4.2)	10.9	11.4	6.4	6.4	5.9	6.2	2.1	2.6
Wal-Mart Stores	WMT US	USA	13.6	4.2	22.5	21.6	4.7	4.4	11.5	11.2	1.5	1.5
Home Depot Inc	HD US	USA	21.2	4.4	22.7	21.8	290.5	2,628.7	15.8	15.5	1.8	2.0
Yonghui Superstores	601933 CH	China	na	na	na	40.3	2.0	2.0	44.5	24.0	1.3	0.9
Sa International	178 HK	Hong Kong	na	na	na	92.2	3.5	3.2	na	22.8	0.0	1.0
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	(27.0)	57.5	27.2	17.3	3.7	3.4	12.5	14.1	3.2	4.5
President Chain Store	2912 TT	Taiwan	(7.3)	20.8	30.5	25.3	7.2	6.9	12.3	11.1	3.0	3.4
7-Eleven Malaysia	SEM MK	Malaysia	(14.6)	51.2	37.3	24.7	19.9	21.0	9.4	9.0	1.8	2.7
Berli Jucker *	BJC TB	Thailand	(0.5)	25.7	34.6	27.5	1.2	1.1	13.9	13.4	1.4	1.8
COM7 *	COM7 TB	Thailand	44.3	39.6	40.7	29.2	18.9	15.8	27.1	20.2	2.0	2.8
CP All *	CPALL TB	Thailand	(37.9)	84.8	62.5	33.8	5.8	5.2	17.9	15.2	0.8	1.5
Central Pattana *	CPN TB	Thailand	(44.7)	127.5	82.6	36.3	3.3	3.1	22.5	16.5	0.8	1.4
Central Retail Corp. *	CRC TB	Thailand	na	106.4	73.7	35.7	3.7	3.5	11.1	9.7	0.5	1.1
Siam Global House *	GLOBAL TB	Thailand	62.8	20.1	30.1	25.1	5.0	4.4	22.9	19.2	1.3	1.6
Home Product*	HMPRO TB	Thailand	(1.0)	19.8	35.8	29.9	8.4	7.8	18.9	16.5	2.2	2.7
Siam Makro *	MAKRO TB	Thailand	(5.0)	16.4	46.6	40.0	1.9	1.8	30.4	47.9	0.9	2.0
Mc Group *	MC TB**	Thailand	(20.6)	29.5	21.0	16.2	2.1	2.1	8.3	7.5	4.8	5.9
Average			**5.3**	**36.9**	**34.7**	**28.0**	**12.9**	**83.5**	**14.2**	**13.0**	**1.9**	**2.3**

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth, ** MC's fiscal year ends in June. The figures shown in the table are for FY22F and FY23F

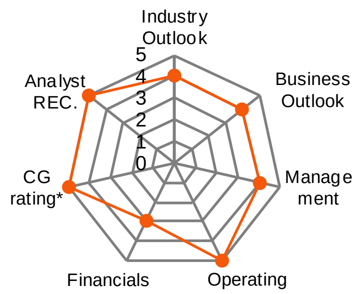
Based on 21 September 2021 closing price

COMPANY DESCRIPTION

C.P. All Pcl (CPALL) is a Thailand-based company that operates convenience stores (CVS) under the 7-Eleven trademark and owns a 93.08% stake in the cash-and-carry operator Siam Makro Pcl (MAKRO). The company also engages in related businesses such as bill-payment collection through its subsidiary, Counter Service Co., Ltd., and the manufacture and sale of ready-to-eat foods and bakery items via C.P. Retailing and Marketing Co., Ltd. In December 2020, it invested in a 40% stake in in Tesco Asia.

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

- Thai CVS market leader and has a natural monopoly with a 64% market share.
- A cash-cow stock operating 7-Eleven stores in Thailand – a very stable and secure business.
- Successful franchise.

W — Weakness

- Too swift expansion may lead to staff shortages.
- Loss in early years from MAKRO's overseas expansion to Cambodia, India, China and Myanmar.
- Rising debt from 40% investment in Lotus.

O — Opportunity

- The Thai CVS market hasn't matured yet while the competitive landscape isn't that fierce.
- Opportunities to open more stores upcountry and also in Bangkok along with mass-transit expansion.
- CLMV expansion.
- New sources of service income.

T — Threat

- The possible implementation of the Retail and Wholesale Business Act.
- Risk of natural disasters.
- Risk of theft.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	68.38	75.00	10%
Net profit 21F (Bt m)	11,226	10,232	-9%
Net profit 22F (Bt m)	17,035	18,061	6%
Consensus REC	**BUY: 17**	**HOLD: 5**	**SELL: 2**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021F profit is 9% below the Bloomberg consensus, likely due to us having lower assumptions for 7-Eleven's SSSG and Lotus's operation because of the COVID-19 hit. But our 2022F profit is higher on a post-COVID business recovery and higher profit from MAKRO post-Lotus acquisition.
- Our DCF-based TP is thus 10% higher than the consensus.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- A weaker-than-expected economy would have a direct negative impact on the performance of the 7-Eleven business as it is highly leveraged to domestic consumption, and this presents the key downside risk to our call.
- If other competitors, i.e., Family Mart, Tops and mini BIGC, expand faster than we currently anticipate and are more successful than we expect now, this would represent a secondary downside risk to our call.
- If its subsidiary MAKRO fails in its ventures abroad and generates larger losses than we currently expect.

Source: Thanachart

Thai 7-Eleven business is cash-flow generating with rapid breakeven

We estimate EPS growth resuming at a 50% CAGR over 2022-24F

Higher debt burden from investment in Lotus in late 2020

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	570,712	546,207	557,640	613,332	679,522
Cost of sales	426,063	410,880	422,581	462,165	509,890
Gross profit	**144,649**	**135,327**	**135,059**	**151,167**	**169,631**
% gross margin	25.3%	24.8%	24.2%	24.6%	25.0%
Selling & administration expenses	111,562	107,858	110,253	121,005	133,357
Operating profit	**33,087**	**27,469**	**24,807**	**30,162**	**36,274**
% operating margin	5.8%	5.0%	4.4%	4.9%	5.3%
Depreciation & amortization	10,166	19,895	21,143	22,709	24,292
EBITDA	**43,252**	**47,364**	**45,950**	**52,871**	**60,566**
% EBITDA margin	7.6%	8.7%	8.2%	8.6%	8.9%
Non-operating income	295	157	419	479	263
Non-operating expenses	0	0	0	0	0
Interest expense	(6,721)	(8,526)	(11,576)	(8,259)	(7,550)
Pre-tax profit	**26,660**	**19,100**	**13,649**	**22,382**	**28,988**
Income tax	4,070	2,759	2,457	4,029	5,218
After-tax profit	**22,591**	**16,340**	**11,192**	**18,354**	**23,770**
% net margin	4.0%	3.0%	2.0%	3.0%	3.5%
Shares in affiliates' Earnings	0	(63)	(475)	6,692	11,312
Minority interests	(351)	(400)	(485)	(6,984)	(9,680)
Extraordinary items	104	226	0	0	0
NET PROFIT	**22,343**	**16,102**	**10,232**	**18,061**	**25,402**
Normalized profit	**22,240**	**15,876**	**10,232**	**18,061**	**25,402**
EPS (Bt)	2.4	1.7	1.0	1.9	2.7
Normalized EPS (Bt)	2.4	1.7	1.0	1.9	2.7

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	71,923	81,404	179,840	88,759	100,767
Cash & cash equivalent	30,519	40,626	126,627	33,037	42,037
Account receivables	1,718	1,650	1,685	1,853	2,053
Inventories	31,538	31,749	43,995	45,583	47,497
Others	8,148	7,379	7,534	8,286	9,180
Investments & loans	34	85,586	(3,229)	(3,229)	(3,229)
Net fixed assets	116,082	120,199	123,326	126,696	130,222
Other assets	187,578	236,165	479,739	475,514	470,114
Total assets	**375,617**	**523,354**	**779,676**	**687,740**	**697,874**
LIABILITIES:					
Current liabilities:	112,917	123,383	155,189	148,220	155,985
Account payables	78,550	72,778	75,254	82,303	90,802
Bank overdraft & ST loans	3,341	1,056	11,161	7,745	7,135
Current LT debt	12,528	19,825	36,087	25,042	23,071
Others current liabilities	18,498	29,723	32,688	33,129	34,976
Total LT debt	**129,193**	**221,503**	**324,781**	**225,379**	**207,641**
Others LT liabilities	25,139	66,874	65,023	61,487	57,377
Total liabilities	**267,250**	**411,759**	**544,994**	**435,086**	**421,004**
Minority interest	14,629	14,836	134,558	141,542	151,222
Preferreds shares	0	0	0	0	0
Paid-up capital	8,983	8,983	8,986	8,986	8,986
Share premium	1,684	1,684	1,684	1,684	1,684
Warrants	0	0	0	0	0
Surplus	16,318	16,833	16,833	16,833	16,833
Retained earnings	**66,753**	**69,258**	**72,620**	**83,608**	**98,144**
Shareholders' equity	93,739	96,759	100,124	111,112	125,648
Liabilities & equity	**375,617**	**523,354**	**779,676**	**687,740**	**697,874**

Sources: Company data, Thanachart estimates

Business is generating strong free cash flows

Inexpensive PEs in our view with strong EPS growth from 2022F

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	26,660	19,100	13,649	22,382	28,988
Tax paid	(3,932)	(3,082)	(2,300)	(3,964)	(5,023)
Depreciation & amortization	10,166	19,895	21,143	22,709	24,292
Chg In w orking capital	(1,887)	(5,915)	(9,804)	5,292	6,386
Chg In other CA & CL / minorities	(789)	11,869	118,735	2,212	9,687
Cash flow from operations	**30,218**	**41,867**	**141,423**	**48,631**	**64,329**
Capex	(14,960)	(15,009)	(14,510)	(15,390)	(16,200)
Right of use	0	(61,902)	(6,190)	(6,190)	(6,190)
ST loans & investments	0	0	0	0	0
LT loans & investments	0	(85,552)	88,815	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	1,711	46,238	(246,314)	295	(1,754)
Cash flow from investments	**(13,250)**	**(116,225)**	**(178,199)**	**(21,285)**	**(24,144)**
Debt financing	(8,505)	97,547	129,644	(113,862)	(20,318)
Capital increase	0	0	3	0	0
Dividends paid	(10,780)	(11,229)	(6,871)	(7,073)	(10,866)
Warrants & other surplus	(2,655)	(1,854)	0	0	0
Cash flow from financing	**(21,940)**	**84,465**	**122,777**	**(120,936)**	**(31,184)**
Free cash flow	**15,258**	**26,858**	**126,913**	**33,241**	**48,129**

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	27.2	38.8	62.5	33.8	23.7
Normalized PE - at target price (x)	31.7	45.3	73.0	39.5	27.6
PE (x)	27.1	38.2	62.5	33.8	23.7
PE - at target price (x)	31.6	44.6	73.0	39.5	27.6
EV/EBITDA (x)	16.0	16.4	17.9	15.2	12.8
EV/EBITDA - at target price (x)	18.2	18.5	20.0	17.0	14.4
P/BV (x)	6.2	6.0	5.8	5.2	4.6
P/BV - at target price (x)	7.2	7.0	6.7	6.1	5.4
P/CFO (x)	19.1	13.8	4.1	11.9	9.0
Price/sales (x)	1.0	1.1	1.0	0.9	0.8
Dividend yield (%)	1.9	1.4	0.8	1.5	2.1
FCF Yield (%)	2.6	4.7	22.0	5.8	8.3
(Bt)					
Normalized EPS	2.4	1.7	1.0	1.9	2.7
EPS	2.4	1.7	1.0	1.9	2.7
DPS	1.3	0.9	0.5	0.9	1.4
BV/share	10.4	10.8	11.1	12.4	14.0
CFO/share	3.4	4.7	15.7	5.4	7.2
FCF/share	1.7	3.0	14.1	3.7	5.4

Sources: Company data, Thanachart estimates

We forecast ROE to head back up from next year

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	8.2	(4.3)	2.1	10.0	10.8
Net profit (%)	6.8	(27.9)	(36.5)	76.5	40.6
EPS (%)	2.0	(29.3)	(38.9)	84.8	43.0
Normalized profit (%)	6.5	(28.6)	(35.5)	76.5	40.6
Normalized EPS (%)	1.7	(30.0)	(37.9)	84.8	43.0
Dividend payout ratio (%)	52.6	53.6	50.0	50.0	50.0
Operating performance					
Gross margin (%)	25.3	24.8	24.2	24.6	25.0
Operating margin (%)	5.8	5.0	4.4	4.9	5.3
EBITDA margin (%)	7.6	8.7	8.2	8.6	8.9
Net margin (%)	4.0	3.0	2.0	3.0	3.5
D/E (incl. minor) (x)	1.3	2.2	1.6	1.0	0.9
Net D/E (incl. minor) (x)	1.1	1.8	1.0	0.9	0.7
Interest coverage - EBIT (x)	4.9	3.2	2.1	3.7	4.8
Interest coverage - EBITDA (x)	6.4	5.6	4.0	6.4	8.0
ROA - using norm profit (%)	5.9	3.5	1.6	2.5	3.7
ROE - using norm profit (%)	24.9	16.7	10.4	17.1	21.5
DuPont					
ROE - using after tax profit (%)	25.3	17.2	11.4	17.4	20.1
- asset turnover (x)	1.5	1.2	0.9	0.8	1.0
- operating margin (%)	5.8	5.1	4.5	5.0	5.4
- leverage (x)	4.2	4.7	6.6	6.9	5.9
- interest burden (%)	79.9	69.1	54.1	73.0	79.3
- tax burden (%)	84.7	85.6	82.0	82.0	82.0
WACC (%)	8.1	8.1	8.1	8.1	8.1
ROIC (%)	13.8	11.3	6.8	7.2	8.8
NOPAT (Bt m)	28,036	23,500	20,341	24,733	29,745
invested capital (Bt m)	208,283	298,517	345,526	336,242	321,460

Sources: Company data, Thanachart estimates

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