Thanachart Securities

BUY (Unchanged)

Change in Numbers

TP: Bt 50.00 (From: Bt 48.00)

Upside : 34.2%

9 SEPTEMBER 2021

PTT Public Co Ltd (PTT TB)

Riding multiple tailwinds

We maintain our BUY on PTT and raise our TP to Bt50 from Bt48 as we factor in higher oil, chemical and coal price assumptions. In our view, PTT is attractively valued at 1.2x core P/BV vs. its five-year average of 1.7x. We expect earnings to remain strong in 2022-23F on higher gas margins and an oil demand recovery in Thailand.

CHAK REUNGSINPINYA
662-779-9104
chak.reu@thanachartsec.co.th

Our new top pick

PTT is our new top pick in the Thailand big-cap energy space. We continue to see its valuation as attractive with the stock trading on core P/BV including PTTOR Pcl (OR TB, not rated) of just 1.2x – nearly 2 STD below its 1.7x average since 2016. In fact, core P/BV now is lower than it was during the severe market downturn in early 2020 and comparable to the downturn between late 2015-early 2016. We also foresee a strong earnings outlook driven by its gas operation and a demand recovery at its oil retail business unit (BU). Our estimates imply an 8% EPS CAGR in 2022-23F following 182% EPS growth in 2021F.

Stepping down of gas costs

We see a strong outlook for PTT's core gas operation over the next two years. *First,* we expect gas feed costs to come down as PTT Exploration & Production Pcl (PTTEP TB, BUY, Bt106.0) starts new Erawan and Bongkot PSC contracts whereby well-head gas prices will be lowered to reflect new formulas. This would in turn cut PTT's pooled gas cost and therefore help expand its margin on sales of petrochemical feedstocks and industrial gas. On our estimates and assuming a $65/bbl oil price, the new PSC contract gas price would be just $4.3/mmbtu vs. $6.1-8.8/mmbtu for the existing Erawan and Bongkot contracts. We also note that the portion of gas supplies under the new PSC contracts would rise from 0% in 2021F to 15% in 2022F and 27% in 2023F. *Second*, we expect the Electricity Generating Authority of Thailand (EGAT) to sign an LNG terminal lease contract with PTT. This could add about 1.5m tpa of contracted capacity on top of the 10m tpa PTT already has. *Last*, we expect gas demand to improve as economic activities return to pre-pandemic levels.

Oil demand recovery

We expect PTT's oil BU to benefit from recovering oil demand and associated non-oil revenues (from coffee and c-store sales). We believe oil demand already bottomed out in early 3Q21, and with easing lockdown measures, we expect demand for gasoline and diesel to gradually recover. At the same time, we expect sales of jet fuel to recover strongly from 4Q21F onwards as Thailand continues to open up to tourists.

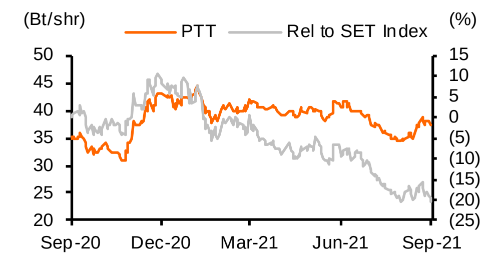
Strong associate income

We believe PTTEP and PTT Global Chemical Pcl (PTTGC TB, BUY, Bt60.25) will both contribute strong associate income to PTT in 2022F. Combined, we forecast earnings growth of 10% for these two names. On the refining side, while the market will likely remain tough, we think the worst may be over. We expect refining associates to experience 43% EPS growth in 2022F, albeit from the low base in 2021F.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	1,615,665	2,406,979	2,517,573	2,554,872
Net profit	37,766	107,325	112,935	125,265
Consensus NP	—	103,484	110,832	111,473
Diff frm cons (%)	—	*3.7*	*1.9*	*12.4*
Norm profit	38,053	107,325	112,935	125,265
Prev. Norm profit	—	105,716	109,325	122,517
Chg frm prev (%)	—	*1.5*	*3.3*	*2.2*
Norm EPS (Bt)	1.3	3.8	4.0	4.4
Norm EPS grw (%)	(51.0)	182.0	5.2	10.9
Norm PE (x)	28.0	9.9	9.4	8.5
EV/EBITDA (x)	6.6	4.5	4.1	3.5
P/BV (x)	1.2	1.1	1.1	1.0
Div yield (%)	2.7	5.0	5.3	5.9
ROE (%)	4.3	11.7	11.6	12.1
Net D/E (%)	25.3	31.7	27.6	18.9

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 9-Sep-21 (Bt)	37.25
Market Cap (US$ m)	32,527.4
Listed Shares (m shares)	28,563.0
Free Float (%)	48.9
Avg Daily Turnover (US$ m)	70.9
12M Price H/L (Bt)	44.50/31.00
Sector	Energy
Major Shareholder	Ministry of Finance 51.11%

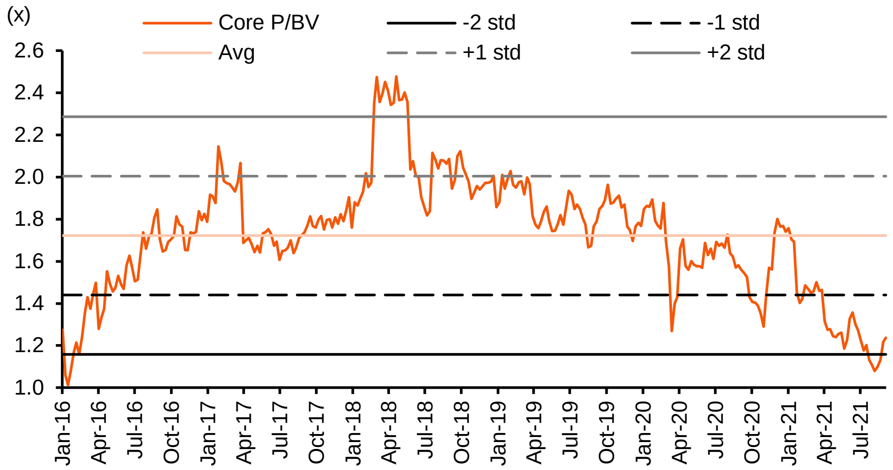
Sources: Bloomberg, Company data, Thanachart estimates

Our new top pick

PTT's core P/BV multiple is now lower than during market downturn in early 2020

PTT is our new top pick in Thailand's big-cap energy space. We continue to see its valuation as attractive with the stock trading on core P/BV including PTTOR Pcl (OR TB, not rated) of just 1.2x – nearly 2 standard deviations below its 1.7x average since 2016. In fact, core P/BV now is *lower* than it was during the severe market downturn in early 2020 and comparable to the downturn between late 2015-early 2016.

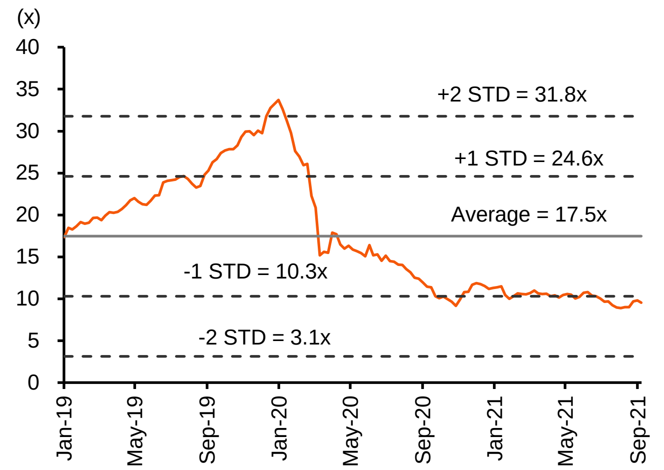
Ex 1: PTT Trading At Lowest Core P/BV In Almost Four Years



Sources: Company data, Thanachart estimates

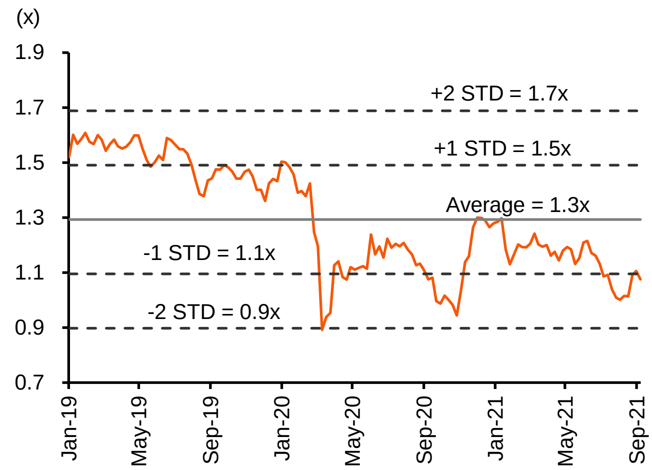
On an absolute basis, PTT also looks attractively valued to us. The stock trades at less than 10x 2022F PE and 1.1x 2022F P/BV. Again, these are multi-year low multiples.

Ex 2: PTT PE



Sources: Bloomberg, Thanachart estimates

Ex 3: PTT P/BV



Sources: Bloomberg, Thanachart estimates

We also see a strong earnings outlook driven by a gas operation and demand recovery at its oil retail business unit (BU). We have adopted a $65/bbl Brent oil price assumption in these updated forecasts to bring PTT's numbers in line with our projections for the other oil companies we cover. Our estimates imply an 8% EPS CAGR in 2022-23F following 182% EPS growth in 2021F.

Ex 4: EPS And TP Revisions

(Bt/shr)	Norm EPS 2019	2020	2021F	2022F	2023F	2024F	TP
New/Actual	2.72	1.33	3.76	3.95	4.39	4.77	50.00
Old			3.70	3.83	4.29	4.61	48.00
Change (%)			*1.5*	*3.3*	*2.2*	*3.6*	*4.2*

Sources: Company data, Thanachart estimates

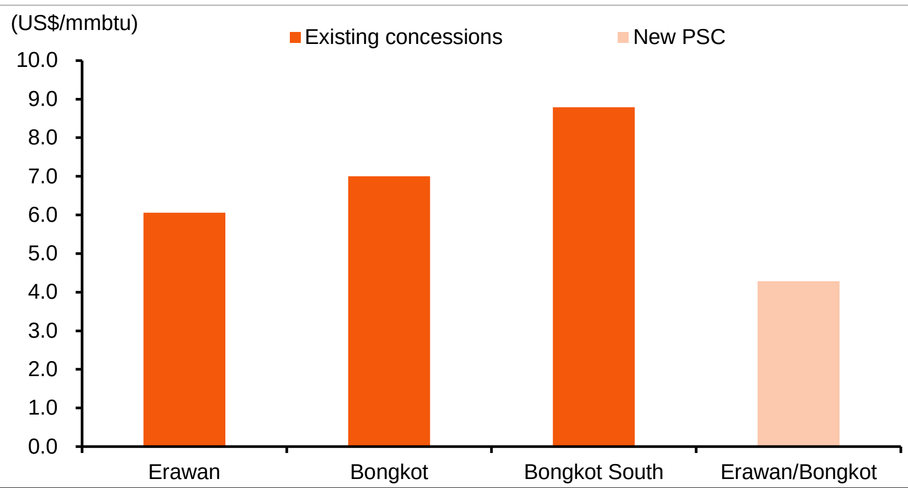
Stepping down of gas costs

We expect PTT's gas cost to come down from May 2022 onwards as new PSC contracts kick in

We expect PTT to benefit from lower gas feed costs from the new PSCs (production sharing contracts) at the Erawan and Bongkot fields. We estimate that well-head gas prices for these fields could come down significantly from the existing contracts which are operated under concession schemes. The new contract prices will likely be similar for both the Erawan and Bongkot PSCs. At a $65/bbl oil price, we estimate the well-head gas price for these fields to be less than $4.3/mmbtu under the new contracts. In contrast, existing contract prices would lead to Erawan's gas price to be at $6.1/mmbtu, Bongkot's at $7.0/mmbtu, and Bongkot South's at about $8.8/mmbtu under a similar oil price scenario. As such, when the new pricing contracts kick in from April 2022, PTT looks set to realize huge cost savings from these fields. Note that PTT has already passed on these potential cost savings to PTTGC since the beginning of 2020, so there is no further stepping down of prices on the part of PTT.

As a sidenote, the reason PTTEP can offer PTT much lower gas prices is because of production cost savings. According to the PSC contracts, the government would be leasing old equipment back to PTTEP at attractive prices. This means PTTEP's margin would not be impacted despite the sharply lower ASP.

Ex 5: New PSC Contracts To Help Lower PTT's Gas Feed Cost From April 2022 Onward



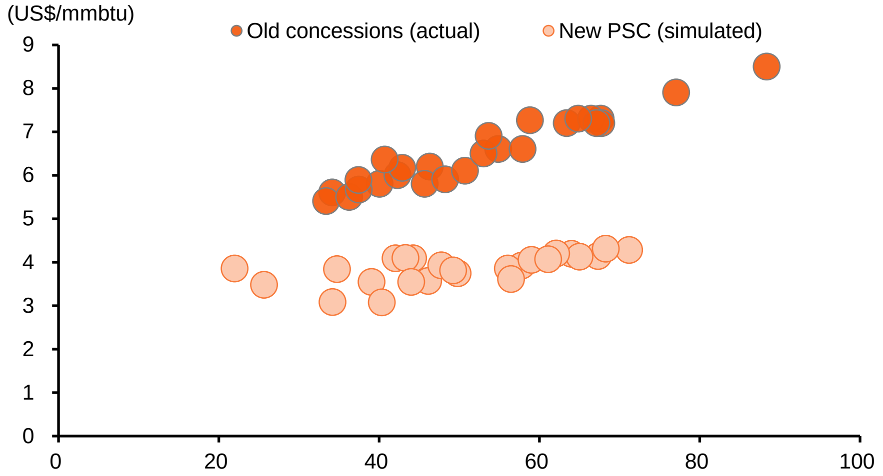
Sources: DMF, Thanachart

Note: Estimated well-head gas prices at $65/bbl oil price

Moreover, the new gas cost formulas will fluctuate much less with oil price movements (i.e., a very flat slope) compared to the existing ones. This means PTT's gas costs should be less volatile going forward.

Gas costs under new PSC contracts to be lower and more stable vs existing concessions

Ex 6: Gas Feed Cost To Be Much Lower Under New PSC Contracts Vs. Existing Prices



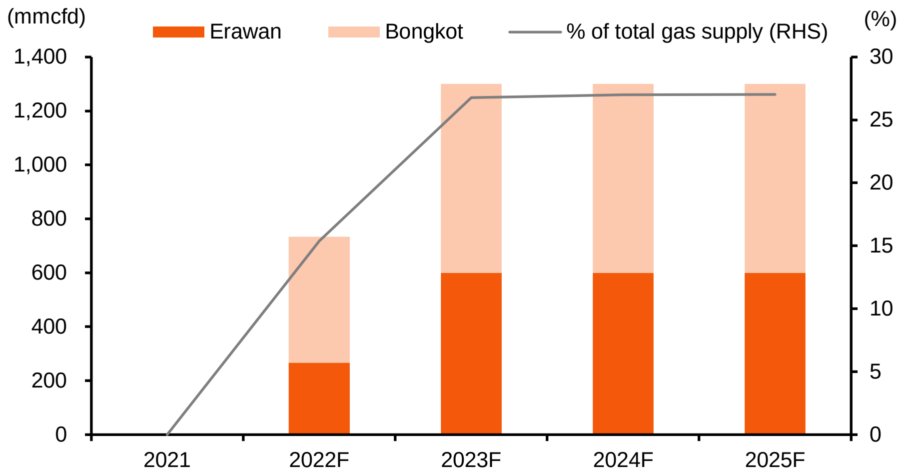
Sources: Company data, Thanachart

Note: Actual prices for old concessions represent a blend of all gas sources for PTT and not just the Erawan and Bongkot fields

Gas supply under new PSC contracts to make up 15% and 27% of PTT's need in 2022-23F, respectively

The new contracts are due to become effective by the end of April 2022. This means PTT would gradually enjoy the benefits of lower gas costs from 2Q22F onwards. Note that we only assume a 400mmcfd volume for Erawan when it starts up compared to the 800mmcfd volume under the contract. We also assume volume would only go up to 600mmcfd by 2023F and stay there afterwards. This is because there could be operational issues when PTTEP takes over the operatorship from Chevron because of the ongoing dispute between Chevron and the Thai government about decommissioning costs. See our report ***PTTEP — Window of opportunities***, dated 16 July 2021 for more details on this issue. As such, if PTTEP can ramp up production from Erawan to the contractual 800mmcfd, the blended gas cost for PTT would be even lower than what we assume.

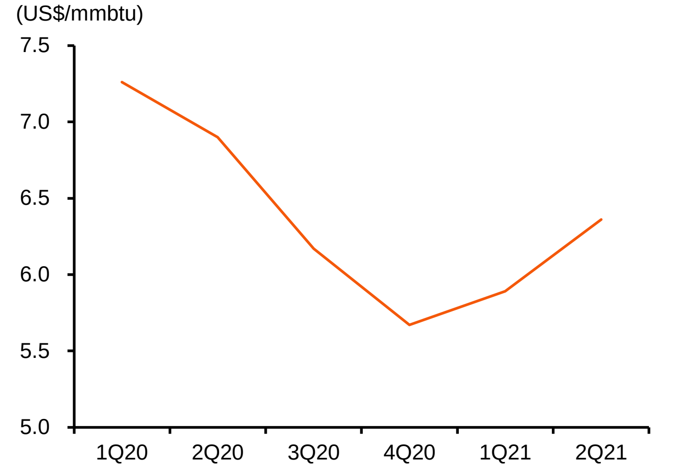
Ex 7: New PSC Contracts To Make Up Over A Quarter Of PTT's Gas Supply By 2023F



Sources: Company data, Thanachart estimates

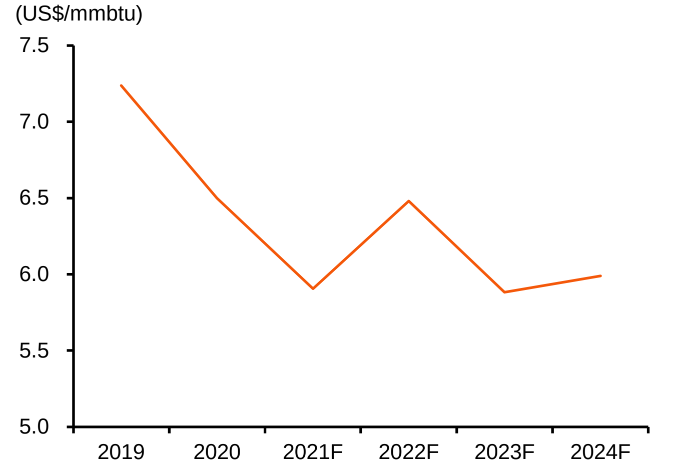
Note that because of higher oil prices and the lagged effect of well-head gas price adjustments in Thailand, PTT's gas costs will likely stay elevated during 3Q21F-1Q22F. However, the costs are unlikely to be materially higher than what we have already seen in 2Q21A. As such, investors not willing to wait out the next three quarters may choose to play this theme in early 2022F.

Ex 8: PTT's Pooled Gas Costs (Quarterly)



Sources: Company data, Thanachart

Ex 9: PTT's Pooled Gas Costs (Annually)

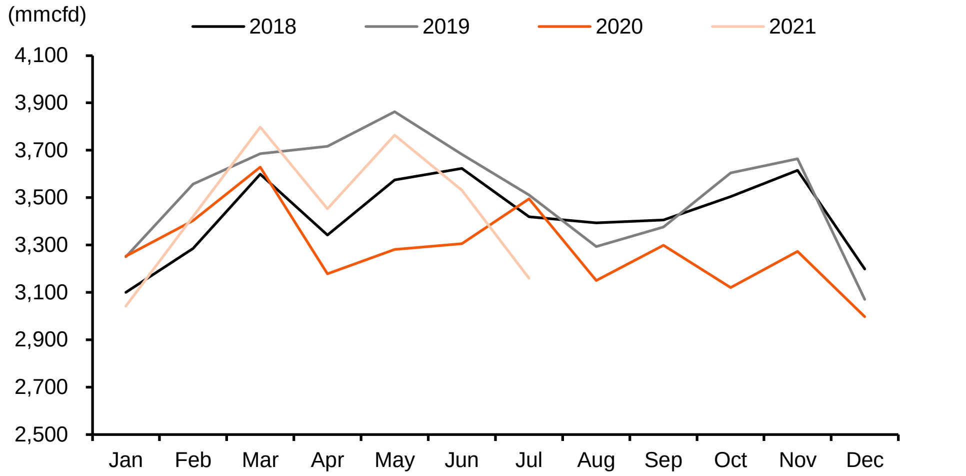


Sources: Company data, Thanachart estimates

Besides lower feed costs, we also expect PTT to enjoy a gas demand recovery. Based on government data, demand for natural gas ex-GSP (gas separation plant) took a big hit in June and July because of lockdown measures amid the third and fourth wave of the COVID outbreak in Thailand. We believe gas demand may have stayed low in August as well. However, with the lockdown measures easing and ongoing efforts to open the country up to tourism, we believe gas demand will gradually pick up. With expect the pace of the demand recovery to accelerate from 4Q21F onwards as more tourists arrive in Thailand.

Thailand gas demand has suffered as a result of lockdown measures in June-July

Ex 10: Natural Gas Consumption Hit By Lockdown In June And July (Latest Data)



Sources: DOEB, Thanachart

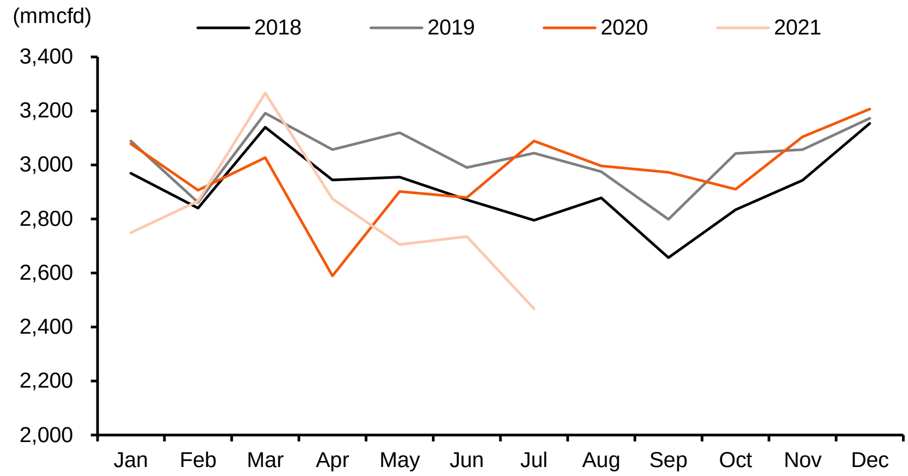
Note: Consumption excluding gas separation plants

Oil demand recovery

We expect PTT's oil BU to benefit from recovering oil demand and associated non-oil revenues (from coffee and c-store sales). Demand for gasoline and diesel has been severely impacted by the government lockdown measures beginning in May. This led to demand declines of 7% and 6% in May and June, respectively. The decline accelerated to -20% y-y as measures were tightened in July and we suspect demand may have been similarly impacted in August as well. However, with easing measures beginning in September, we believe demand will gradually recover.

We believe oil demand has already bottomed out in 3Q21F and expect recovery as lockdown eases

Ex 11: Gasoline And Diesel Demand Took A Big Hit In July And Likely August As Well

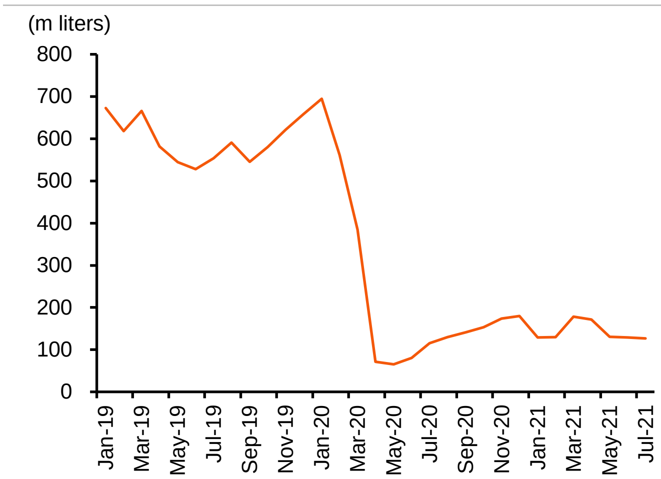


Sources: DOEB, Thanachart

Jet fuel sales remain depressed but could rebound strongly from 4Q21F onwards

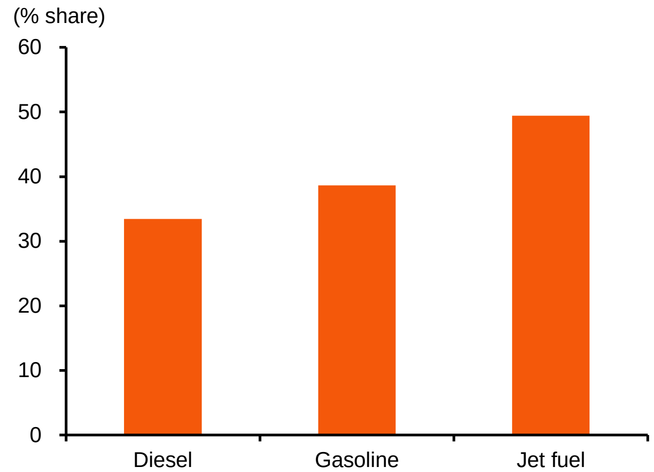
At the same time, we believe sales of jet fuel will recover strongly from 4Q21F onwards as Thailand continues to open up to tourists. Jet fuel has been by far the most impacted oil product with a demand decline of 70-80% vs. the pre-pandemic level compared to about -5% to -20% for gasoline and jet fuel. We also note that PTT has by far the largest market share of jet fuel sales. In fact, its market share in jet fuel (49% in 2019A) was higher than its market share in gasoline (38%) and diesel (33%). As such, the recovery in jet fuel sales would have more of an impact on PTT compared to other oil retail players. The only other oil retail player with a more outsized jet fuel market share compared to its gasoline/diesel market share is Susco Pcl (SUSCO TB, BUY, Bt3.26).

Ex 12: Thailand Jet Fuel Sales Down 70% From Normal



Sources: DOEB, Thanachart

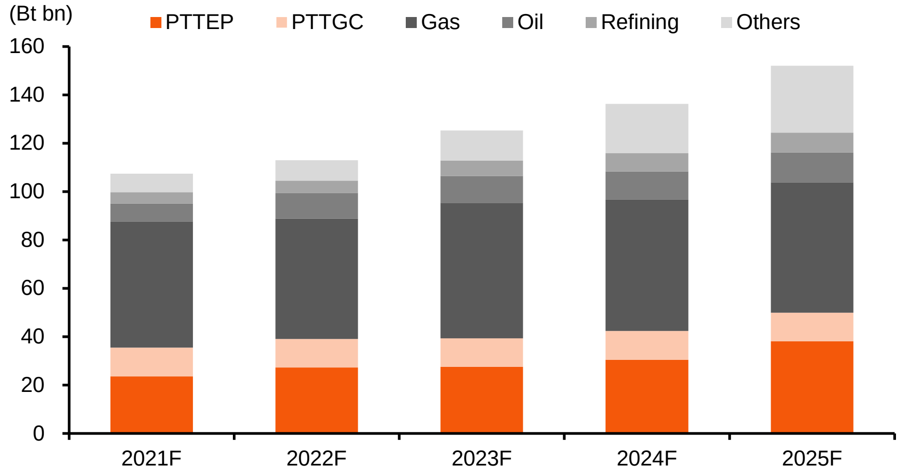
Ex 13: PTT Has Almost a 50% Share Of Jet Fuel Market



Sources: DOEB, Thanachart

We believe PTT Exploration & Production Pcl (PTTEP TB, BUY, Bt106.0) and PTT Global Chemical Pcl (PTTGC TB, BUY, Bt60.25) will both contribute strong associate income to PTT in 2022F. Combined, we forecast earnings growth of 10% for these two names. On the refining side, while the market will likely remain tough, we believe the worst may be over. We expect refining associates to experience 43% EPS growth in 2022F, albeit from the low base in 2021F.

Ex 14: PTT Net Profit Breakdown



Sources: Company data, Thanachart estimates

Ex 15: 12-month DCF-derived SOTP-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	101,111	110,092	109,204	109,931	107,205	108,007	107,979	105,150	105,003	105,279	105,074	-
Free cash flow	37,979	63,648	60,941	62,696	64,060	65,140	64,495	62,907	60,737	60,966	59,849	790,239
PV of free cash flow	36,369	55,929	49,129	46,381	42,819	39,818	36,044	32,150	28,387	26,058	24,761	326,941

Risk-free rate (%)	2.5%
Market risk premium (%)	8.0%
Beta	1.00
WACC (%)	9.0%
Terminal growth (%)	2.0%
Enterprise value - add investments	744,786
Net debt	129,972
Minority interest	-
Equity value	614,813
# of shares (m)	28,563
Equity value/sh (Bt)	**22**

Sum-of-the-parts valuation	Value (Bt m)	Per share (Bt/shr)	% of total	Methodology
Gas and other core operation	614,813	21.52	43%	DCF
Oil & retail	188,065	6.58	13%	EV/EBITDA
Upstream	326,592	11.43	23%	DCF
Refining & chemical	258,958	9.07	18%	DCF
Power	22,827	0.80	2%	DCF
Other investments	26,602	0.93	2%	Earnings multiples
Total equity value	**1,437,860**	**50.34**	**100%**	**SOTP**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 16: Comparison With Regional Peers

			EPS Growth		—— PE ——		— P/BV —		EV/EBITDA		Div. Yield		— ROE —	
Company	Code	Country	21F	22F	21F	22F	21F	22F	21F	22F	21F	22F	21F	22F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
Refining & Marketing														
Caltex Australia	CTX AU	Australia	77.4	20.9	na	na	na	na	na	na	na	na	12.0	14.1
BPCL	BPCL IN	India	121.2	(10.0)	10.5	11.7	2.3	1.9	8.3	9.5	4.3	4.0	24.7	16.3
HPCL	HPCL IN	India	160.5	(14.0)	5.1	5.9	1.1	1.0	5.5	7.0	6.9	6.2	24.1	16.9
IOCL	IOCL IN	India	129.5	8.3	7.0	6.4	1.0	0.9	6.6	6.1	7.3	7.4	14.6	13.9
Reliance Industries	RIL IN	India	(0.6)	22.8	35.0	28.5	2.6	2.1	21.8	16.3	0.3	0.3	8.6	7.8
SK Energy	096770 KS	S.Korea	na	92.9	36.1	18.7	1.4	1.3	9.8	8.9	0.7	1.2	4.4	7.6
S-OIL	010950 KS	S.Korea	na	(12.2)	8.2	9.3	1.6	1.4	5.8	6.5	3.5	3.3	21.2	17.2
Petron	PCOR PM	Philippines	na	104.5	14.3	7.0	0.7	0.5	8.3	6.7	3.2	na	5.9	9.3
Formosa Petrochemical	6505 TT	Taiwan	na	(12.0)	17.5	19.8	2.5	2.4	10.7	11.5	4.4	3.9	15.9	15.1
Bangchak *	BCP TB	Thailand	na	na	na	24.5	0.8	0.8	8.8	6.9	0.0	2.2	na	na
ESSO (Thailand) *	ESSO TB	Thailand	na	na	na	150.3	2.1	2.1	37.8	21.5	0.0	0.3	na	na
IRPC Pcl *	IRPC TB	Thailand	na	9.6	14.0	12.8	1.0	1.0	8.9	8.1	4.3	4.7	na	na
PTG Pcl *	PTG TB	Thailand	(3.6)	11.8	16.5	14.8	3.4	3.0	7.5	7.1	3.0	3.4	21.5	21.4
PTT Global Chemicals *	PTTGC TB	Thailand	219.4	(1.2)	11.1	11.3	0.9	0.9	6.8	6.6	5.4	5.3	8.5	8.0
Star Petroleum Refining *	SPRC TB	Thailand	na	na	na	118.2	1.3	1.3	21.4	15.8	0.0	0.3	na	na
SUSCO Pcl	SUSCO TB	Thailand	3.0	23.4	15.3	12.4	0.9	0.9	6.4	5.2	3.4	4.0	5.9	7.1
Thai Oil *	TOP TB	Thailand	na	6.1	25.1	23.7	0.9	0.8	17.1	17.8	1.8	1.9	3.4	3.6
Average			**88.4**	**17.9**	**16.6**	**29.7**	**1.5**	**1.4**	**12.0**	**10.1**	**3.0**	**3.2**	**13.1**	**12.2**
Integrated oils														
PetroChina	857 HK	China	na	(16.3)	7.4	8.8	0.5	0.5	3.5	3.6	6.3	5.5	6.4	5.4
Sinopec	386 HK	China	95.2	(4.7)	6.7	7.0	0.6	0.5	3.7	3.6	8.8	8.3	8.9	8.1
Total	FP	France	na	4.9	na	na	na	na	na	na	na	na	12.6	12.7
Eni	ENI IM	Italy	na	24.1	12.4	10.0	1.0	1.0	3.6	3.3	7.9	7.9	8.0	9.5
RD/Shell A	RDSA NA	Netherlands	na	10.8	6.1	5.5	0.8	0.7	4.0	3.9	5.3	5.8	11.6	11.6
Repsol	REP SM	Spain	na	9.4	7.0	6.4	0.7	0.6	3.8	3.7	6.5	6.5	9.7	10.0
Chevron Texaco	CVX US	USA	na	14.5	14.5	12.7	1.4	1.4	5.9	5.4	5.5	5.7	8.9	9.9
Exxon Mobil	XOM US	USA	na	12.8	12.5	11.1	1.4	1.3	6.2	5.6	6.5	6.5	10.8	11.9
Conoco Philips	COP US	USA	na	3.6	11.5	11.1	1.6	1.5	4.6	4.5	3.2	3.3	18.0	16.4
PTT Pcl *	PTT TB	Thailand	182.0	5.2	9.9	9.4	1.1	1.1	4.5	4.1	5.0	5.3	11.7	11.6
Average			**138.6**	**6.4**	**9.8**	**9.1**	**1.0**	**1.0**	**4.4**	**4.2**	**6.1**	**6.1**	**10.7**	**10.7**
Exploration and Production														
Santos	STO AU	Australia	189.9	15.6	15.0	12.9	1.6	1.5	4.8	4.3	1.8	2.0	11.2	11.9
Woodside	WPL AU	Australia	129.1	21.1	16.0	13.2	1.4	1.4	5.0	4.6	4.8	5.2	9.1	9.7
Suncor Energy	SU US	Canada	na	30.6	7.2	5.5	0.7	0.7	4.2	3.8	4.6	5.2	9.9	10.9
CNOOC	883 HK	Hong Kong	173.6	4.6	5.2	5.0	0.7	0.7	1.8	1.7	8.5	8.8	14.5	14.2
ONGC	ONGC IN	India	(46.2)	112.7	12.4	5.8	0.7	0.6	5.5	4.0	2.5	5.6	6.1	11.3
RIL	RIL IN	India	(0.6)	22.8	35.0	28.5	2.6	2.1	21.8	16.3	0.3	0.3	8.6	7.8
Cairn India	CAIR IN	India	na	na	na	na	na	na	na	na	na	na	na	na
Apache	APA US	USA	na	(10.5)	5.9	6.6	na	9.7	3.9	4.0	0.5	0.6	(108.1	301.8
Devon Energy	DVN US	USA	na	38.2	10.1	7.3	3.1	1.9	4.9	4.0	3.7	6.0	32.6	29.9
PTTEP *	PTTEP TB	Thailand	68.1	15.8	11.7	10.1	1.1	1.1	3.7	3.4	5.1	5.9	9.9	11.0
Average			**85.7**	**27.9**	**13.1**	**10.5**	**1.5**	**2.2**	**6.2**	**5.1**	**3.6**	**4.4**	**(0.7)**	**45.4**

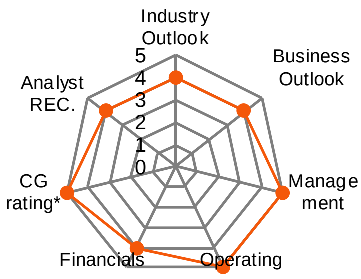
Sources: Bloomberg, * Thanachart estimates
Based on 9 September 2021 closing prices

COMPANY DESCRIPTION

PTT Pcl (PTT) is a fully integrated oil and gas company and has the biggest market capitalization on the Stock Exchange of Thailand (SET). The government owns directly and indirectly 66% in PTT. Its businesses can be mainly grouped into seven segments: 1) Exploration & Production – operated by its key subsidiary, 65%-owned PTTEP; 2) petrochemicals with its flagship PTTGC; 3) refinery via SET-listed i.e., TOP and IRPC; 4) coal and power; 5) gas pipeline and GSP businesses operated by PTT, the parent firm; 6) oil marketing business, and 7) international trading.

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

- Sole gas distributor in Thailand.
- Integrated business model: upstream E&P, gas processing, chemical, refining and retailing.

W — Weakness

- PTT is heavily reliant on the Thailand market.
- PTT, being a state-owned enterprise, is heavily regulated and the company may from time to time be called upon to do national service (i.e., provide energy price subsidies).

O — Opportunity

- Strong free cash to expand into new products and abroad.
- M&As within group to strengthen business structure.
- M&As for overseas projects.

T — Threat

- Government is allowing third-party imports of LPG and could soon deregulate PTT's exclusive gas distributorship.
- Thailand is diversifying from natural gas for power generation and this could reduce its long-term growth potential.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	48.70	50.00	3%
Net profit 21F (Bt m)	103,484	107,325	4%
Net profit 22F (Bt m)	110,832	112,935	2%
Consensus REC	BUY: 24	HOLD: 2	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F earnings are broadly in line with the Bloomberg consensus numbers.
- Our TP is in line with consensus as well.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Lower-than-expected oil prices would be the key downside risk to our call.
- Weaker-than-expected gas-demand growth would be a secondary downside risk to our call.
- Another secondary downside risk would come from lower-than-expected refining/chemical margins.

Source: Thanachart

We expect 8% EPS CAGR In 2022-23F

PTT has plenty of cash for future investments

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	2,219,739	1,615,665	2,406,979	2,517,573	2,554,872
Cost of sales	1,967,529	1,437,093	2,114,656	2,204,143	2,228,129
Gross profit	**252,210**	**178,572**	**292,322**	**313,430**	**326,743**
% gross margin	11.4%	11.1%	12.1%	12.4%	12.8%
Selling & administration expenses	110,458	109,389	105,578	110,603	106,313
Operating profit	**141,751**	**69,183**	**186,744**	**202,828**	**220,430**
% operating margin	6.4%	4.3%	7.8%	8.1%	8.6%
Depreciation & amortization	133,204	139,880	150,052	159,981	166,214
EBITDA	**274,955**	**209,063**	**336,796**	**362,809**	**386,644**
% EBITDA margin	12.4%	12.9%	14.0%	14.4%	15.1%
Non-operating income	19,980	20,579	30,658	32,067	32,542
Non-operating expenses	0	0	0	0	0
Interest expense	(27,971)	(28,536)	(37,703)	(44,223)	(44,399)
Pre-tax profit	**133,760**	**61,225**	**179,699**	**190,671**	**208,573**
Income tax	32,989	25,166	35,940	38,134	41,715
After-tax profit	**100,771**	**36,059**	**143,759**	**152,537**	**166,859**
% net margin	4.5%	2.2%	6.0%	6.1%	6.5%
Shares in affiliates' Earnings	6,008	4,178	2,541	2,547	2,554
Minority interests	(29,141)	(2,184)	(38,974)	(42,149)	(44,148)
Extraordinary items	15,313	(287)	0	0	0
NET PROFIT	**92,951**	**37,766**	**107,325**	**112,935**	**125,265**
Normalized profit	**77,638**	**38,053**	**107,325**	**112,935**	**125,265**
EPS (Bt)	3.3	1.3	3.8	4.0	4.4
Normalized EPS (Bt)	2.7	1.3	3.8	4.0	4.4

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	717,099	720,930	865,293	885,183	891,332
Cash & cash equivalent	330,806	416,921	416,921	416,921	416,921
Account receivables	167,641	110,528	164,662	172,227	174,779
Inventories	152,126	129,779	190,968	199,049	201,215
Others	66,526	63,703	92,743	96,986	98,417
Investments & loans	87,657	85,312	73,312	73,312	73,312
Net fixed assets	1,294,979	1,292,717	1,428,748	1,490,854	1,482,826
Other assets	387,230	445,224	623,913	644,846	648,780
Total assets	**2,486,965**	**2,544,183**	**2,991,266**	**3,094,194**	**3,096,249**
LIABILITIES:					
Current liabilities:	379,785	298,026	469,828	483,324	463,250
Account payables	160,669	108,189	159,198	165,935	167,741
Bank overdraft & ST loans	44,441	4,223	42,876	41,444	35,939
Current LT debt	50,440	73,778	122,196	118,114	102,426
Others current liabilities	124,236	111,837	145,558	157,831	157,145
Total LT debt	**562,746**	**664,732**	**692,445**	**669,315**	**580,414**
Others LT liabilities	243,394	295,579	437,961	450,505	451,671
Total liabilities	**1,185,925**	**1,258,338**	**1,600,234**	**1,603,143**	**1,495,336**
Minority interest	422,436	403,805	442,779	484,928	529,076
Preferreds shares	0	0	0	0	0
Paid-up capital	28,563	28,563	28,563	28,563	28,563
Share premium	29,211	29,211	29,211	29,211	29,211
Warrants	0	0	0	0	0
Surplus	(52,287)	(49,116)	(49,116)	(49,116)	(49,116)
Retained earnings	**873,117**	**873,383**	**939,595**	**997,465**	**1,063,180**
Shareholders' equity	878,604	882,040	948,253	1,006,123	1,071,838
Liabilities & equity	**2,486,965**	**2,544,183**	**2,991,266**	**3,094,194**	**3,096,249**

Sources: Company data, Thanachart estimates

Free cash flows to improve in 2022-23F on lower capex

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	133,760	61,225	179,699	190,671	208,573
Tax paid	(49,340)	(36,073)	(24,506)	(37,779)	(40,720)
Depreciation & amortization	133,204	139,880	150,052	159,981	166,214
Chg In w orking capital	9,335	26,980	(64,313)	(8,910)	(2,912)
Chg In other CA & CL / minorities	(32,924)	(16,034)	(5,530)	10,222	(558)
Cash flow from operations	**194,035**	**175,977**	**235,401**	**314,185**	**330,597**
Capex	(314,009)	(137,617)	(281,104)	(217,092)	(153,177)
Right of use	0	(70,831)	(300)	(300)	(300)
ST loans & investments	(886)	951	1,318	0	0
LT loans & investments	(8,109)	2,345	12,000	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(14,705)	55,243	(40,987)	(13,084)	(7,476)
Cash flow from investments	**(337,709)**	**(149,909)**	**(309,073)**	**(230,476)**	**(160,953)**
Debt financing	129,304	94,377	114,784	(28,644)	(110,094)
Capital increase	0	0	(0)	0	0
Dividends paid	(81,351)	(51,624)	(41,113)	(55,065)	(59,550)
Warrants & other surplus	(8,079)	17,295	0	0	0
Cash flow from financing	**39,874**	**60,047**	**73,671**	**(83,709)**	**(169,643)**
Free cash flow	**(119,973)**	**38,360**	**(45,703)**	**97,093**	**177,420**

Valuation looks highly attractive to us

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	13.7	28.0	9.9	9.4	8.5
Normalized PE - at target price (x)	18.4	37.5	13.3	12.6	11.4
PE (x)	11.4	28.2	9.9	9.4	8.5
PE - at target price (x)	15.4	37.8	13.3	12.6	11.4
EV/EBITDA (x)	5.1	6.6	4.5	4.1	3.5
EV/EBITDA - at target price (x)	6.4	8.4	5.5	5.1	4.5
P/BV (x)	1.2	1.2	1.1	1.1	1.0
P/BV - at target price (x)	1.6	1.6	1.5	1.4	1.3
P/CFO (x)	5.5	6.0	4.5	3.4	3.2
Price/sales (x)	0.5	0.7	0.4	0.4	0.4
Dividend yield (%)	5.4	2.7	5.0	5.3	5.9
FCF Yield (%)	(11.3)	3.6	(4.3)	9.1	16.7
(Bt)					
Normalized EPS	2.7	1.3	3.8	4.0	4.4
EPS	3.3	1.3	3.8	4.0	4.4
DPS	2.0	1.0	1.9	2.0	2.2
BV/share	30.8	30.9	33.2	35.2	37.5
CFO/share	6.8	6.2	8.2	11.0	11.6
FCF/share	(4.2)	1.3	(1.6)	3.4	6.2

Sources: Company data, Thanachart estimates

ROE to improve on higher margins

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	(5.0)	(27.2)	49.0	4.6	1.5
Net profit (%)	(22.3)	(59.4)	184.2	5.2	10.9
EPS (%)	(22.3)	(59.4)	184.2	5.2	10.9
Normalized profit (%)	(31.5)	(51.0)	182.0	5.2	10.9
Normalized EPS (%)	(31.5)	(51.0)	182.0	5.2	10.9
Dividend payout ratio (%)	61.5	75.6	50.0	50.0	50.0
Operating performance					
Gross margin (%)	11.4	11.1	12.1	12.4	12.8
Operating margin (%)	6.4	4.3	7.8	8.1	8.6
EBITDA margin (%)	12.4	12.9	14.0	14.4	15.1
Net margin (%)	4.5	2.2	6.0	6.1	6.5
D/E (incl. minor) (x)	0.5	0.6	0.6	0.6	0.4
Net D/E (incl. minor) (x)	0.3	0.3	0.3	0.3	0.2
Interest coverage - EBIT (x)	5.1	2.4	5.0	4.6	5.0
Interest coverage - EBITDA (x)	9.8	7.3	8.9	8.2	8.7
ROA - using norm profit (%)	3.2	1.5	3.9	3.7	4.0
ROE - using norm profit (%)	8.9	4.3	11.7	11.6	12.1
DuPont					
ROE - using after tax profit (%)	11.5	4.1	15.7	15.6	16.1
- asset turnover (x)	0.9	0.6	0.9	0.8	0.8
- operating margin (%)	7.3	5.6	9.0	9.3	9.9
- leverage (x)	2.8	2.9	3.0	3.1	3.0
- interest burden (%)	82.7	68.2	82.7	81.2	82.4
- tax burden (%)	75.3	58.9	80.0	80.0	80.0
WACC (%)	9.0	9.0	9.0	9.0	9.0
ROIC (%)	10.9	3.4	12.4	11.7	12.4
NOPAT (Bt m)	106,791	40,745	149,395	162,262	176,344
invested capital (Bt m)	1,205,425	1,207,853	1,388,849	1,418,075	1,373,696

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 101 Derivative Warrants which are ACE16C2111A, ADVA16C2110A, AMAT16C2112A, AOT16C2109A, AOT16C2112A, BAM16C2110A, BAM16C2112A, BANP16C2109A, BANP16C2110A, BANP16C2112A, BCH16C2109A, BCH16C2111A, BCH16C2111B, BCPG16C2111A, BDMS16C2109A, BGRI16C2110A, BGRI16C2112A, BH16C2109A, CBG16C2109A, CBG16C2109B, CBG16C2201A, CHG16C2111A, CHG16C2112A, COM716C2110A, COM716C2112A, CPAL16C2109A, CPAL16C2111A, CPAL16C2112A, CPF16C2112A, CPN16C2109A, DELT16C2109A, DELT16C2112A, DOHO16C2111A, DOHO16C2112A, DTAC16C2112A, EA16C2110A, EGCO16C2110A, EPG16C2109A, GPSC16C2109A, GPSC16C2110A, GPSC16C2201A, GULF16C2112A, GUNK16C2110A, GUNK16C2112A, GUNK16C2201A, HANA16C2112A, IRPC16C2110A, IRPC16C2112A, IVL16C2109A, IVL16C2110A, IVL16C2111A, JMAR16C2111A, JMT16C2110A, KBAN16C2109A, KBAN16C2111A, KBAN16C2111B, KCE16C2109A, KCE16C2110A, KCE16C2201A, KTC16C2110A, KTC16C2110B, KTC16C2112A, MEGA16C2112A, MINT16C2109A, MINT16C2112A, MTC16C2109A, MTC16C2112A, OR16C2109A, OR16C2112A, PRM16C2109A, PTG16C2109A, PTT16C2109A, PTT16C2112A, PTTE16C2112A, PTTG16C2110A, PTTG16C2111A, RBF16C2110A, RBF16C2112A, RS16C2109A, RS16C2112A, S5016C2109A, S5016C2109B, S5016C2109C, S5016C2109D, S5016C2112A, S5016P2109A, S5016P2109B, S5016P2112A, S5016P2112B, SAWA16C2112A, SCB16C2111A, SCB16C2112A, SCC16C2112A, SCGP16C2109A, STA16C2112A, STEC16C2110A, STGT16C2111A, TASC16C2109A, TOP16C2112A, TU16C2110A, TU16C2111A (underlying securities are ACE, ADVANC, AMATA, AOT, BAM, BANPU, BCH, BCPG, BDMS, BGRIM, BH, CBG, CHG, COM7, CPALL, CPF, CPN, DELTA, DOHOME, DTAC, EA, EGCO, EPG, GPSC, GULF, GUNKUL, HANA, IRPC, IVL, JMART, JMT, KBANK, KCE, KTC, MEGA, MINT, MTC, OR, PRM, PTG, PTT, PTTEP, PTTGC, RBF, RS, SAWAD, SCB, SCC, SCGP, SET50, STA, STEC, STGT, TASCO, TOP, TU). 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), TMBThanachart Bank Public Company Limited (TTB), 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 TMBThanachart 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), SCG Packaging Pcl (SCGP 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

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

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

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

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

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

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

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

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

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

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

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

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

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