

**BUY** (Unchanged)**TP: Bt 275.00** (From: Bt 320.00)**15 OCTOBER 2021**

Change in Numbers

**Upside : 54.1%**

# Electricity Generating (EGCO TB)

## Undervalued

We reaffirm our BUY call on EGCO, seeing its 9x PE and 4% dividend yield as attractive with potential upside from M&As. We see EGCO as being resilient against surging global fuel prices with some earnings growth from two new plants due to start up next year.

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### Attractive valuation, in our view

We reaffirm our BUY on EGCO. *First*, the stock looks attractive to us at 9x PE, 0.8x P/BV and 4% dividend yield in 2022F. *Second*, valuation has yet to factor in EGCO's targeted M&As for another 700MW (potential 12% capacity growth) near term. *Third*, EGCO, with over 90% of earnings from power plants whose electricity selling contracts have an IPP-like fuel cost pass-through mechanism to off-takers, is resilient to the coal and gas price jump. *Lastly*, EGCO generates EBITDA of Bt8.7-9.7bn p.a. and trades at a 15% free cash flow yield. Lifting its payout ratio could drive its share price but EGCO still targets to invest for growth. We continue to see hefty upside to our DCF-derived SOTP-based 12-month TP (2022F base year) despite a cut to Bt275 (from Bt320). That follows 8-11% cuts in our earnings in 2022-24F on more conservative assumptions for a power demand recovery.

### Minimal impact from fuel prices

Most of EGCO's plants are on power purchase contracts with a fuel-cost pass through formula. One plant that is exposed to rising gas prices is the 272MW equity-owned capacity US-based Linden Cogen, which makes up just 5% of its operating capacity. However, as rising gas costs hit all players in the US, we expect the tariff to be lifted to offset some of the higher costs. EGCO is exposed to coal via its two coal-fired plants, in Thailand and the Philippines, with a combined equity-owned capacity of 1.36GW or 24% of operating MW. Both can also pass on higher coal costs.

### Ongoing capacity expansion plan

We project EGCO's operating capacity to grow 6% to 6.0GW in 2022F. Two projects are under construction, ie, the 161MW Nam Theun 1 hydropower project in Laos and 1the 60MW Yunlin wind farm in Taiwan. We assume its 'Quang Tri' coal power project in Vietnam to be up in 2026F and this will add 528MW in equity capacity or 9% capacity growth to EGCO. There are two other potential upsides. The first is EGCO's target to acquire another 700MW of operating power plants by this year. The other is future opportunities that may arise via its 17.5%-owned US-based renewable power plant developer, Apex Clean Energy.

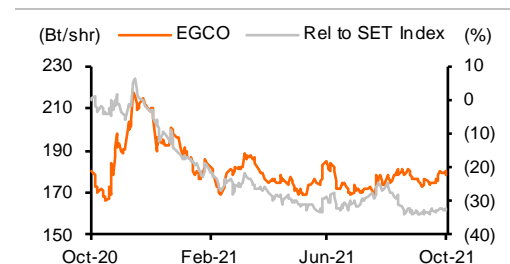
### Potential catalysts

We foresee potential catalysts for EGCO's share price. 1) We estimate strong 3Q21F earnings of Bt3.0bn, up 23% y-y and 9% q-q. Drivers are higher output from hydropower plants, fewer maintenance days, and profit contribution from Linden acquired in June. 2) EGCO still targets 700MW of M&A this year (still a good catalyst, in our view, even if it is delayed to next year). 3) Given a very high 15% FCF yield, Bt30/share in operating cash flow and only 0.5x net gearing (D/E) in 2022F, we see a high possibility of its dividend payout ratio being lifted from 35% now.

### COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	33,578	33,601	33,493	32,266
Net profit	8,733	10,144	10,618	9,474
Consensus NP	—	10,103	12,154	12,209
Diff frm cons (%)	—	0.4	(12.6)	(22.4)
Norm profit	9,460	10,144	10,618	9,474
Prev. Norm profit	—	10,707	11,894	10,422
Chg frm prev (%)	—	(5.3)	(10.7)	(9.1)
Norm EPS (Bt)	18.0	19.3	20.2	18.0
Norm EPS grw (%)	(12.5)	7.2	4.7	(10.8)
Norm PE (x)	9.9	9.3	8.9	9.9
EV/EBITDA (x)	19.2	17.8	16.1	16.8
P/BV (x)	0.9	0.9	0.8	0.8
Div yield (%)	3.6	3.9	4.2	4.5
ROE (%)	9.2	9.6	9.5	8.0
Net D/E (%)	73.6	67.3	53.6	42.5

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 15-Oct-21 (Bt)	178.50
Market Cap (US\$ m)	2,822.7
Listed Shares (m shares)	526.5
Free Float (%)	50.0
Avg Daily Turnover (US\$ m)	7.5
12M Price H/L (Bt)	218.00/166.00
Sector	Utilities
Major Shareholder	EGAT 25.41%

Sources: Bloomberg, Company data, Thanachart estimates



## Deeply undervalued in our view

### We reaffirm BUY on EGCO

We reaffirm our BUY recommendation on shares of Electricity Generating Pcl (EGCO), based on three key reasons:

#### 1) Attractive valuations vs. peers'

- **First**, we see its valuations as highly attractive. Its 2022F PE multiple is now at 9x, on our estimate, versus its 15-year average contract life. Dividend yield is therefore relatively high compared to its peers' at slightly over 4% next year, when we expect it to rise given its strong and sustainable 15% free cash flow yield. EGCO is also trading below its book value, currently at 0.8x P/BV.

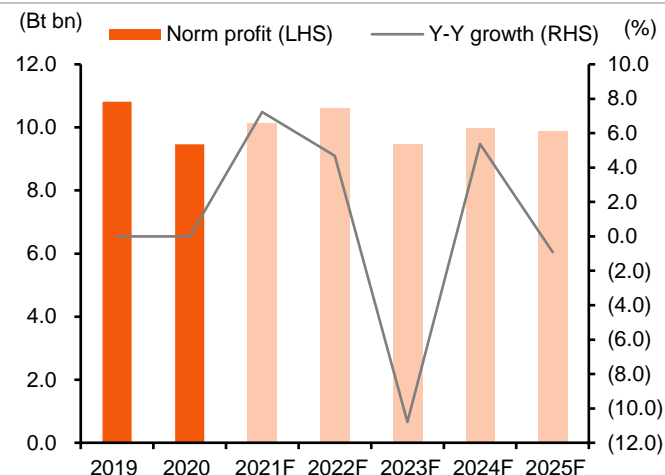
#### 2) Market is overly concerned about rising fuel prices in our view

- **Second**, we believe the market has been overestimating the impacts on EGCO from the surge in global coal and natural gas prices, as 24% and 58% of its operating capacity runs on those fuels respectively. We argue that EGCO is resilient to these rising fuel costs as most of its power purchase agreements (PPAs) contain a clause with a cost pass-through mechanism to their off-takers.

#### 3) 54% potential upside to our TP

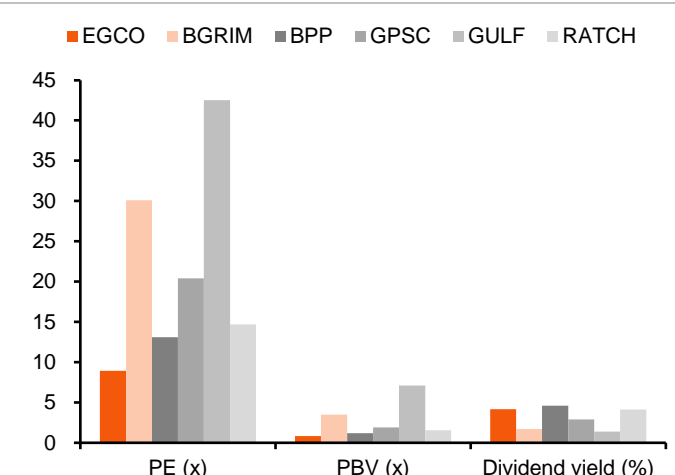
- **Third**, we see significant potential 54% upside to our already trimmed DCF-derived SOTP-based 12-month TP (2022F base year) of Bt275 (down from Bt320), after we revised EGCO's earnings down by 8-11% in 2022-24F due to a sharper-than-expected fall of contracted availability payment (AP) revenues from its IPP plants in Thailand and a slower-than-expected recovery of electricity demand in Korea, the Philippines, and the US where its major power plants are located.

Ex 1: Resilient Earnings Outlook



Sources: Company data, Thanachart estimates

Ex 2: Most Attractive Valuations Among Peers



Sources: Bloomberg, Thanachart estimates

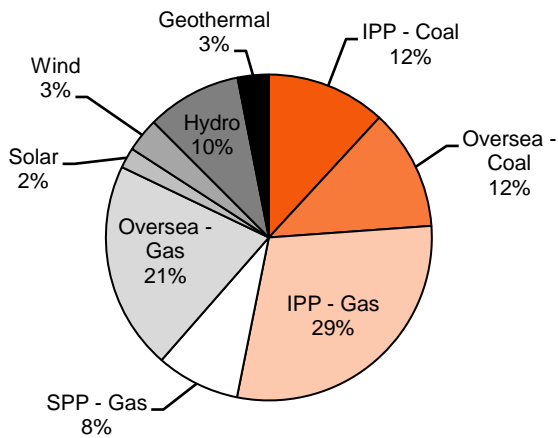
## Minimal impact from fuel prices

### Resilient to rising fuel prices, thanks to its cost pass-through contracts

We expect only a small impact on EGCO's margins from the surge in global coal and natural gas (including LNG) prices over the past six months. Some 24% of EGCO's operating capacity (5.7GW) is from two coal-fired power plants in Thailand and the Philippines. The other bigger portion of 58% comprises three gas-fired power projects in Thailand, Korea and the US. Having said that, most of those plants operate under long-term electricity purchase contracts with local government entities running the main grid in each country which comprises a fuel cost pass-through mechanism. The impact on their margins from volatility in fuel prices is therefore minimal. EGCO's only project facing exposure to rising gas prices is Linden, with 272MW of equity-owned capacity, or 5% of its total operating capacity, delivering electricity to the open-competitive markets of New York System Operator (NY-ISO Zone J) and PJM North power market in New Jersey. As Linden is recognized as one of the most efficient plants in those markets while the impact of higher

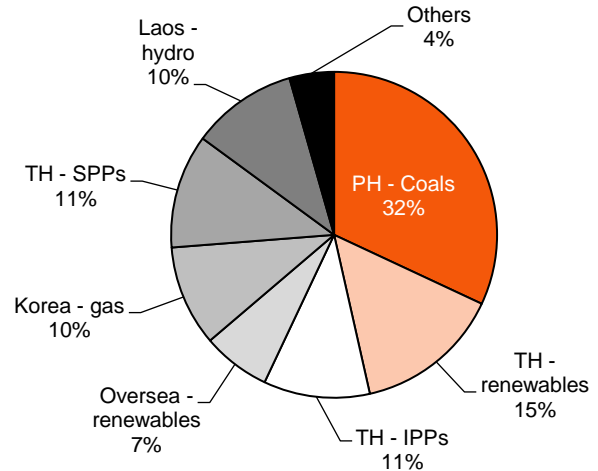
gas costs is broad based affecting all the players in the market, we expect negative pressure from the gas price spike on Linden’s margins to be small.

**Ex 3: EGCO’s Capacity Breakdown By Fuel Type (2021F)**



Source: Thanachart estimates

**Ex 4: Profit Contribution From Plants (1H21)**



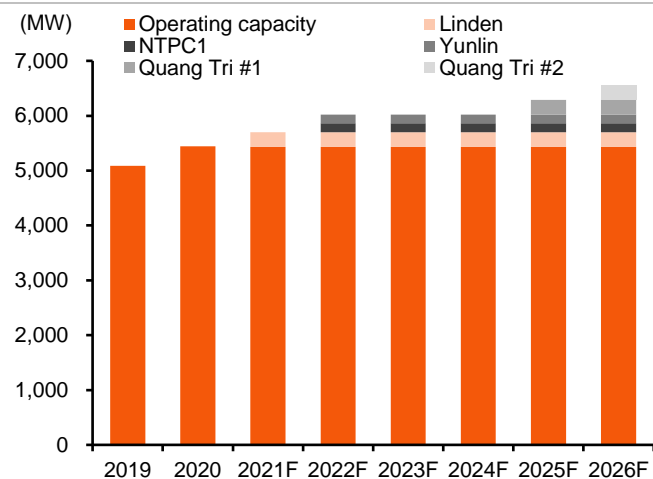
Source: Company data

### Ongoing capacity expansion plan

*Two power plants due to start up in 2022F, and likely another one in 2025F*

Capacity expansion is a major driver for our estimates of 7% and 5% earnings growth for EGCO in 2021-22F. The capacity growth in 2021F is solely from the acquisition of the gas-fired power project in the US, Linden Cogen, which adds 272MW in equity capacity to EGCO (28% stake in the 972MW installed capacity of the project). We project EGCO’s operating capacity to increase by 6% y-y to 6.0GW in 2022F (after 5% growth to 5.7GW this year), including only its two projects under construction in our numbers. 1) Nam Theun 1 hydropower plant in Laos, with 640MW of installed capacity (a 25% stake or 161MW of equity-owned capacity for EGCO), and 2) the Yunlin offshore wind farm in Taiwan with 644MW of installed capacity (also a 25% stake, with 160MW of equity-owned capacity). Both are scheduled to gradually commence operations over 2022F. EGCO has another project under development which we have yet to factor into our earnings forecasts since it is still waiting to get its power purchase agreement (PPA) signed with Vietnam Electricity (EVN). It is the Quang Tri coal-fired power plant project with 1,320MW of installed capacity (30% stake, 396MW equity capacity), targeted to fully commence operation by 2026.

**Ex 5: Capacity Expansion Continues**



Sources: Company data, Thanachart estimates

**Ex 6: Three Developing Projects In Its Portfolio**

Project	Nam Theun 1	Yunlin	Quang Tri
Type	Hydropower	Offshore wind	Ultra-supercritical coal
Location	Laos	Taiwan	Vietnam
Installed capacity (MW)	650.0	640.0	1,320.0
Stakes	25%	25%	30%
Equity capacity (MW)	162.5	160.0	396.0
Expected COD	Q2 2022	2022	Unit 1 - 2025 Unit 2 - 2026

Source: Company data

*Upside from M&As and a partnership in renewables*

There is further growth potential for EGCO's capacity over the next few years. First, the company has set a target to acquire a total of 1,000MW of operating power plant capacity this year (2021). However, it has only secured one project with 272MW to date (Linden). Therefore, assuming EGCO can achieve its goal, we see the potential for another 700MW-plus of capacity to be added by year-end, which implies 12% capacity growth for its portfolio. Second, EGCO just announced a plan to invest in a 17.5% stake in Apex Clean Energy Holdings (Apex), a US-based renewable power plant developer, earlier this month. Apex's business model is to identify opportunity, develop and design renewable power plants, secure construction contracts, then sell the projects to utility operators after or just before the commencement of operation date for profit. We see this investment as an opportunity for EGCO to either simply recognize shared profits from project sales by Apex, or to use Apex as an opportunity finder for it to invest (as a project buyer itself) in the large renewable power market in the US. We leave all this growth potential as upside to our earnings forecasts and our valuation for EGCO.

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

Projects	Valuation method	WACC	Value (Bt/share)
<b>Conventional - IPP</b>			<b>72.2</b>
- BLCP	DCF	5.5%	15.5
- GPG	DCF	3.8%	23.2
- KEGCO	DCF	3.4%	33.4
<b>Conventional - SPP</b>			<b>23.8</b>
- EGCO Cogen	DCF	4.7%	0.8
- BPU	DCF	5.3%	15.8
- KLU	DCF	5.3%	7.2
<b>TH renewables</b>			<b>28.2</b>
- Roi-et Green	DCF	4.6%	0.3
- GYG	DCF	4.6%	2.6
- NED	DCF	5.5%	7.3
- SPP 2-5	DCF	4.6%	3.9
- GPS	DCF	5.2%	1.4
- Solarco	DCF	4.3%	3.0
- CWF	DCF	5.2%	8.3
- TWF	DCF	4.9%	1.4
<b>Overseas plants</b>			<b>168.5</b>
- Laos hydro	DCF	5.2%	53.2
- Indonesia geothermal	DCF	4.9%	25.6
- Australia wind	DCF	5.9%	8.5
- Philippines coal	DCF	7.0%	28.2
- Korea gas	DCF	4.3%	17.6
- Taiwan wind	DCF	5.4%	19.8
- Vietnam coal	DCF	6.0%	12.4
- US gas	DCF	5.9%	3.1
<b>Subtotal - existing projects</b>			<b>292.6</b>
<b>Other businesses &amp; HQ</b>			<b>(17.6)</b>
<b>Grand total</b>			<b>275.0</b>

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 8: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div yield	
			21F (%)	22F (%)	21F (x)	22F (x)	21F (x)	22F (x)	21F (x)	22F (x)	21F (%)	22F (%)
Datang International Power	991 HK	China	(39.2)	123.7	17.9	8.0	0.6	0.6	9.5	8.1	5.1	11.0
Huadian Power	1071 HK	China	5.2	9.0	7.4	6.8	0.5	0.5	8.3	7.4	7.0	7.9
Huaneng Power	600011 CH	China	(33.2)	38.2	20.7	14.9	1.0	0.9	8.5	7.4	2.1	3.1
Cheung Kong Infrastructure	1038 HK	Hong Kong	2.0	11.9	13.0	11.6	0.9	0.9	40.9	39.5	5.8	6.0
China Power Int'l	2380 HK	Hong Kong	3.5	22.9	17.3	14.0	1.1	1.0	10.6	9.1	3.3	3.9
China Resources Power	836 HK	Hong Kong	7.2	23.7	10.7	8.7	1.0	1.0	7.3	6.5	3.6	4.7
CLP Holdings	2 HK	Hong Kong	0.1	7.4	16.7	15.5	1.6	1.6	10.6	10.1	4.2	4.3
Hongkong Electric Holdings	6 HK	Hong Kong	2.9	7.1	15.1	14.1	1.1	1.1	74.0	71.3	6.2	6.2
Huaneng Power	902 HK	Hong Kong	(31.7)	33.7	12.8	9.6	0.5	0.5	8.6	7.3	4.2	5.7
Tata Power	TPWR IN	India	17.6	22.2	46.2	37.8	3.2	3.2	14.6	14.0	0.7	0.8
Tenaga Nasional	TNB MK	Malaysia	8.1	3.6	11.7	11.3	1.0	1.0	6.7	6.5	5.3	5.5
YTL Corp	YTL MK	Malaysia	(68.4)	116.7	106.7	49.2	0.6	0.5	12.2	11.9	4.1	4.4
YTL Power	YTLP MK	Malaysia	47.4	(8.9)	12.4	13.6	0.5	0.4	10.5	10.6	5.5	6.3
Manila Electric	MER PM	Philippines	10.9	1.3	14.6	14.4	3.9	3.6	10.3	9.8	5.0	5.3
Absolute Clean Energy *	ACE TB	Thailand	9.8	26.4	25.6	20.2	2.9	2.6	18.9	16.4	1.6	2.0
BCPG Pcl *	BCPG TB	Thailand	(13.2)	3.3	20.0	19.3	1.7	1.6	17.2	17.5	2.3	2.3
B.Grimm Power Pcl *	BGRIM TB	Thailand	8.0	25.3	37.3	29.8	3.7	3.5	13.7	13.1	1.3	1.7
Banpu Power Pcl *	BPP TB	Thailand	10.2	12.4	14.9	13.2	1.3	1.2	213.0	160.3	4.0	4.5
CK Power Pcl *	CKP TB	Thailand	418.6	8.2	20.5	18.9	1.7	1.6	18.6	18.0	2.0	2.6
EA Pcl*	EA TB	Thailand	15.3	32.6	40.1	30.2	7.3	6.2	23.7	18.2	0.7	1.0
Electricity Generating *	EGCO TB	Thailand	7.2	4.7	9.3	8.9	0.9	0.8	17.8	16.1	3.9	4.2
Global Power Synergy *	GPSC TB	Thailand	20.3	16.7	23.7	20.3	2.0	1.9	15.2	14.1	2.5	3.0
Gulf Energy Dev. Pcl *	GULF TB	Thailand	88.0	37.4	57.1	41.5	7.4	6.9	41.6	32.9	1.1	1.4
Gunkul Engineering *	GUNKUL TB	Thailand	66.7	26.8	21.3	16.8	3.8	3.4	21.0	17.6	2.6	3.6
RATCH Group *	RATCH TB	Thailand	25.2	2.8	9.8	9.6	1.1	1.0	17.7	16.4	5.6	6.3
TPC Power Holding *	TPCH TB	Thailand	52.4	23.3	11.6	9.4	1.4	1.2	8.9	7.6	2.6	3.2
WHA Utilities & Power *	WHAUP TB	Thailand	47.9	24.5	13.6	10.9	1.3	1.2	30.6	26.2	4.4	5.5
<b>Average</b>			<b>25.5</b>	<b>24.3</b>	<b>23.3</b>	<b>17.7</b>	<b>2.0</b>	<b>1.9</b>	<b>25.6</b>	<b>22.0</b>	<b>3.6</b>	<b>4.3</b>

Sources: Bloomberg, \* Thanachart estimates

Based on 15 October 2021 closing prices

## COMPANY DESCRIPTION

Electricity Generating Pcl's (EGCO) core business is power generation with diversified fuels, i.e., natural gas, coal, diesel oil, hydropower and biomass. Total combined attributed operating power capacity is 5.4GW. The company had another 528MW of secured contract power capacity under construction as of 2020. EGCO also has a service business which provides operation, maintenance, engineering and construction services to power and petrochemical plants, oil refineries and other industries.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Operationally defensive. Predetermined tariffs over power plants' lives in PPAs generate fixed revenues and returns.
- Access to cheap financing sources due to low business risk and trustworthy and well-known shareholders.

### O — Opportunity

- Large power-expansion projects in Asian countries, both conventional and renewable power capacities.
- Diversification opportunities for LNG imports in ASEAN.

### W — Weakness

- Increased competition from new power plants may affect dispatched capacities and increased O&M costs.
- Lower tariff from new projects given global trend.

### T — Threat

- Regulatory risks and stricter environmental requirements, especially increased expansion overseas.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	248.40	275.00	11%
<b>Net profit 21F (Bt m)</b>	10,103	10,144	0%
<b>Net profit 22F (Bt m)</b>	12,154	10,618	-13%
<b>Consensus REC</b>	<b>BUY: 9</b>	<b>HOLD: 4</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022F earnings estimate is 13% below the Bloomberg consensus number, which we believe is due to our more conservative assumption for a recovery in global electricity demand.
- However, our TP is 11% higher, likely since we have included the Quang Tri project (yet to secure a PPA) in our SOTP valuation.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- Weaker-than-expected electricity demand in countries those EGCO's major power plants are located in, ie., the Philippines, Korea, and the US, would be the key downside risk to our earnings forecasts.
- Slower-than-expected construction and cost overruns in developing projects in another downside risk to our numbers.
- Unfavorable natural conditions for the performance of EGCO's renewable projects is a secondary downside risk to our projections.

Source: Thanachart

## INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	37,511	33,578	33,601	33,493	32,266
Cost of sales	28,420	25,258	24,918	24,570	24,370
<b>Gross profit</b>	<b>9,091</b>	<b>8,320</b>	<b>8,683</b>	<b>8,923</b>	<b>7,896</b>
% gross margin	24.2%	24.8%	25.8%	26.6%	24.5%
Selling & administration expenses	2,890	2,613	2,408	2,422	2,452
<b>Operating profit</b>	<b>6,201</b>	<b>5,707</b>	<b>6,276</b>	<b>6,501</b>	<b>5,445</b>
% operating margin	16.5%	17.0%	18.7%	19.4%	16.9%
Depreciation & amortization	3,067	3,131	3,161	3,197	3,232
<b>EBITDA</b>	<b>9,268</b>	<b>8,838</b>	<b>9,437</b>	<b>9,698</b>	<b>8,677</b>
% EBITDA margin	24.7%	26.3%	28.1%	29.0%	26.9%
Non-operating income	2,895	2,413	2,283	2,260	884
Non-operating expenses	0	0	0	0	0
Interest expense	(4,252)	(3,869)	(3,795)	(3,341)	(3,083)
<b>Pre-tax profit</b>	<b>4,843</b>	<b>4,250</b>	<b>4,764</b>	<b>5,420</b>	<b>3,246</b>
Income tax	859	1,022	1,191	1,355	811
<b>After-tax profit</b>	<b>3,984</b>	<b>3,228</b>	<b>3,573</b>	<b>4,065</b>	<b>2,434</b>
% net margin	10.6%	9.6%	10.6%	12.1%	7.5%
Shares in affiliates' Earnings	6,897	6,259	6,621	6,603	7,088
Minority interests	(67)	(27)	(50)	(50)	(48)
Extraordinary items	2,245	(727)	0	0	0
<b>NET PROFIT</b>	<b>13,059</b>	<b>8,733</b>	<b>10,144</b>	<b>10,618</b>	<b>9,474</b>
<b>Normalized profit</b>	<b>10,814</b>	<b>9,460</b>	<b>10,144</b>	<b>10,618</b>	<b>9,474</b>
EPS (Bt)	24.8	16.6	19.3	20.2	18.0
Normalized EPS (Bt)	20.5	18.0	19.3	20.2	18.0

*Stable earnings base as new capacity is able to offset expiring plants*

## BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
<b>ASSETS:</b>					
Current assets:	35,794	34,911	26,584	30,277	33,613
Cash & cash equivalent	25,186	17,237	5,000	10,000	15,000
Account receivables	5,583	4,811	5,063	5,047	4,862
Inventories	2,534	2,760	2,731	2,693	2,671
Others	2,492	10,104	13,790	12,537	11,081
Investments & loans	88,512	97,903	106,952	106,952	106,952
Net fixed assets	52,782	49,750	47,122	44,473	41,804
Other assets	31,435	31,873	27,970	27,595	27,113
<b>Total assets</b>	<b>208,523</b>	<b>214,438</b>	<b>208,628</b>	<b>209,298</b>	<b>209,482</b>
<b>LIABILITIES:</b>					
Current liabilities:	12,479	16,290	17,489	16,369	15,488
Account payables	2,769	2,510	2,731	2,693	2,671
Bank overdraft & ST loans	38	0	79	72	67
Current LT debt	5,754	11,170	11,794	10,835	9,999
Others current liabilities	3,918	2,610	2,886	2,770	2,751
<b>Total LT debt</b>	<b>83,773</b>	<b>81,758</b>	<b>66,831</b>	<b>61,396</b>	<b>56,660</b>
Others LT liabilities	7,164	13,556	14,834	15,207	15,567
<b>Total liabilities</b>	<b>103,416</b>	<b>111,603</b>	<b>99,153</b>	<b>92,972</b>	<b>87,714</b>
Minority interest	616	591	641	691	739
Preferred shares	0	0	0	0	0
Paid-up capital	5,265	5,265	5,265	5,265	5,265
Share premium	8,601	8,601	8,601	8,601	8,601
Warrants	0	0	0	0	0
Surplus	(7,077)	(14,349)	(14,349)	(14,349)	(14,349)
<b>Retained earnings</b>	<b>97,702</b>	<b>102,726</b>	<b>109,317</b>	<b>116,118</b>	<b>121,512</b>
Shareholders' equity	104,490	102,243	108,834	115,635	121,029
<b>Liabilities &amp; equity</b>	<b>208,523</b>	<b>214,438</b>	<b>208,628</b>	<b>209,298</b>	<b>209,482</b>

*Very strong balance sheet with low gearing*

Sources: Company data, Thanachart estimates

**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	4,843	4,250	4,764	5,420	3,246
Tax paid	(859)	(1,022)	(1,191)	(1,355)	(811)
Depreciation & amortization	3,067	3,131	3,161	3,197	3,232
Chg In working capital	(207)	287	(2)	16	185
Chg In other CA & CL / minorities	8,309	(1,343)	1,692	7,767	8,553
<b>Cash flow from operations</b>	<b>15,153</b>	<b>5,304</b>	<b>8,424</b>	<b>15,045</b>	<b>14,405</b>
Capex	513	(100)	(500)	(500)	(500)
Right of use	0	(513)	(300)	(300)	(300)
ST loans & investments	304	(1,513)	1,518	(27)	(28)
LT loans & investments	(32,533)	(9,391)	(9,049)	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	13,925	3,228	5,448	999	1,080
<b>Cash flow from investments</b>	<b>(17,791)</b>	<b>(8,289)</b>	<b>(2,882)</b>	<b>172</b>	<b>253</b>
Debt financing	(2,721)	6,016	(14,225)	(6,401)	(5,577)
Capital increase	0	0	0	0	0
Dividends paid	(3,615)	(3,325)	(3,554)	(3,817)	(4,080)
Warrants & other surplus	(5,193)	(7,655)	0	0	0
<b>Cash flow from financing</b>	<b>(11,530)</b>	<b>(4,964)</b>	<b>(17,778)</b>	<b>(10,217)</b>	<b>(9,658)</b>
<b>Free cash flow</b>	<b>15,666</b>	<b>5,204</b>	<b>7,924</b>	<b>14,545</b>	<b>13,905</b>

*Ample cash flow generation per year*

**VALUATION**

<b>FY ending Dec</b>	<b>2019A</b>	<b>2020A</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>
Normalized PE (x)	8.7	9.9	9.3	8.9	9.9
Normalized PE - at target price (x)	13.4	15.3	14.3	13.6	15.3
PE (x)	7.2	10.8	9.3	8.9	9.9
PE - at target price (x)	11.1	16.6	14.3	13.6	15.3
EV/EBITDA (x)	17.1	19.2	17.8	16.1	16.8
EV/EBITDA - at target price (x)	22.6	24.9	23.2	21.4	22.6
P/BV (x)	0.9	0.9	0.9	0.8	0.8
P/BV - at target price (x)	1.4	1.4	1.3	1.3	1.2
P/CFO (x)	6.2	17.7	11.2	6.2	6.5
Price/sales (x)	2.5	2.8	2.8	2.8	2.9
Dividend yield (%)	3.6	3.6	3.9	4.2	4.5
FCF Yield (%)	16.7	5.5	8.4	15.5	14.8
<b>(Bt)</b>					
Normalized EPS	20.5	18.0	19.3	20.2	18.0
EPS	24.8	16.6	19.3	20.2	18.0
DPS	6.5	6.5	7.0	7.5	8.0
BV/share	198.5	194.2	206.7	219.6	229.9
CFO/share	28.8	10.1	16.0	28.6	27.4
FCF/share	29.8	9.9	15.1	27.6	26.4

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
<b>Growth Rate</b>					
Sales (%)	5.6	(10.5)	0.1	(0.3)	(3.7)
Net profit (%)	(38.0)	(33.1)	16.2	4.7	(10.8)
EPS (%)	(38.0)	(33.1)	16.2	4.7	(10.8)
Normalized profit (%)	15.9	(12.5)	7.2	4.7	(10.8)
Normalized EPS (%)	15.9	(12.5)	7.2	4.7	(10.8)
Dividend payout ratio (%)	26.2	39.2	36.3	37.2	44.5
<b>Operating performance</b>					
Gross margin (%)	24.2	24.8	25.8	26.6	24.5
Operating margin (%)	16.5	17.0	18.7	19.4	16.9
EBITDA margin (%)	24.7	26.3	28.1	29.0	26.9
Net margin (%)	10.6	9.6	10.6	12.1	7.5
D/E (incl. minor) (x)	0.9	0.9	0.7	0.6	0.5
Net D/E (incl. minor) (x)	0.6	0.7	0.7	0.5	0.4
Interest coverage - EBIT (x)	1.5	1.5	1.7	1.9	1.8
Interest coverage - EBITDA (x)	2.2	2.3	2.5	2.9	2.8
ROA - using norm profit (%)	5.2	4.5	4.8	5.1	4.5
ROE - using norm profit (%)	10.6	9.2	9.6	9.5	8.0
<b>DuPont</b>					
ROE - using after tax profit (%)	3.9	3.1	3.4	3.6	2.1
- asset turnover (x)	0.2	0.2	0.2	0.2	0.2
- operating margin (%)	24.2	24.2	25.5	26.2	19.6
- leverage (x)	2.0	2.0	2.0	1.9	1.8
- interest burden (%)	53.3	52.3	55.7	61.9	51.3
- tax burden (%)	82.3	76.0	75.0	75.0	75.0
WACC (%)	5.2	5.2	5.2	5.2	5.2
ROIC (%)	3.3	2.6	2.6	2.7	2.3
NOPAT (Bt m)	5,101	4,335	4,707	4,876	4,083
invested capital (Bt m)	168,870	177,934	182,537	177,938	172,754

Sources: Company data, Thanachart estimates

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