BUY (Unchanged)

Change in Numbers

TP: Bt 29.00 (Unchanged)

Upside : 48.0%

20 OCTOBER 2021

Small Cap Research

Somboon Advance Tech. (SAT TB)

Pedal to the metal

RATA LIMSUTHIWANPOOM

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Auto makers are now starting to ramp up production after supply-chain hiccups due to the chip shortage and COVID-19. SAT is likely to see a recovery in 4Q21F and we expect another 17/24% EPS growth in 2022-23F. At only 7.4x 2022F PE and 8% yield, we reaffirm our BUY.

Turning around; looks very attractive to us

We reaffirm BUY call on SAT with an unchanged 2022F DCF-based TP of Bt29. ***First***, the supply chain situation is improving due to lockdowns easing in ASEAN and carmakers ramping up production amid strong demand. ***Second***, we expect SAT's earnings to bottom in 3Q21F and turn around in 4Q21F with 17/24% growth in 2022-23F. Despite higher steel costs pressuring gross margin, we raise our normalized profit by 10/2/3% over 2021-23F to reflect better-than-expected sales momentum recovery of auto parts (76% of 2021F revenue) and agricultural machinery parts (24%). ***Third,*** SAT looks very attractive to us at 7.4x PE (6.1x ex-cash) with 8/10% yields over 2022-23F.

Easing supply-chain issues

Although the supply of auto-semiconductor chips remains tight, the supply-chain bottleneck across ASEAN triggered by COVID-19 has started to ease. Toyota, which cut global production to 500-600k units per month in August-October 2021, has just announced a resumption of global production at its normal level of 850-900k units in November. Other carmakers have also ramped up production from September. We lift Thailand's 2021F auto production to 1.65m units (from 1.54m), or 16% growth from 2020 levels. We then forecast 9/13% growth in 2022-23F with domestic sales growing by 14/30% and exports growing by 5/2%.

Strong demand for agricultural parts

SAT also supplies agricultural machinery parts to Kubota (24% of 2021F sales). SAT has a 70-80% parts share of the growing tractor industry from the mega trend of smart farming. SAT sells in Thailand and exports to neighbouring countries, India and the US. Tractor exports to the US and India doubled y-y in July-August. Tractor exports should remain strong with US inventories returning to the normal level of six to seven months vs. the record-low of just two months as of September. We lift Thailand's Kubota production by 13% to 101k units in 2021F, or 23% above 2019's level, and we forecast another 20/10% growth in 2022-23.

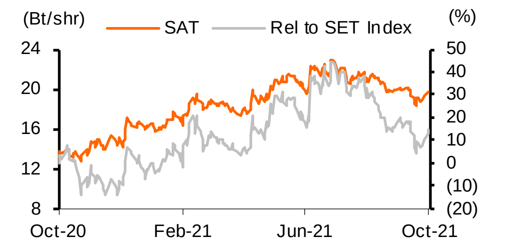
Earnings recovery from 4Q21F

Auto supply-chain hiccups and higher steel costs killed off the otherwise high industry season in 3Q21F. We estimate a 15% q-q fall (+144% y-y) in normalized earnings in 3Q21F and an 8% q-q recovery (-11% y-y) in 4Q21F. Note that there will be a one-off restructuring expense of Bt70m in 4Q21F. Drivers of our 17/24% EPS growth estimates in 2022-23F are 13% p.a. sales growth and improving operating margins from 9.7% in 2020 to 10.3/11.6% in 2022-23F. We expect a margin expansion despite factoring in a six to nine months' lag time to pass on rising steel costs.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	5,883	8,682	9,794	11,104
Net profit	371	908	1,129	1,396
Consensus NP	—	924	1,058	1,206
Diff frm cons (%)	—	*(1.7)*	*6.8*	*15.7*
Norm profit	371	966	1,129	1,396
Prev. Norm profit	—	882	1,110	1,353
Chg frm prev (%)	—	*9.5*	*1.7*	*3.1*
Norm EPS (Bt)	0.9	2.3	2.7	3.3
Norm EPS grw (%)	(58.5)	160.6	16.9	23.6
Norm PE (x)	22.5	8.6	7.4	6.0
EV/EBITDA (x)	6.8	3.7	2.9	2.1
P/BV (x)	1.2	1.1	1.0	1.0
Div yield (%)	3.1	6.5	8.1	10.0
ROE (%)	5.2	13.2	14.5	16.6
Net D/E (%)	(31.0)	(37.9)	(43.3)	(48.6)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 20-Oct-21(Bt)	19.60
Market Cap (US$ m)	249.8
Listed Shares (m shares)	425.2
Free Float (%)	64.4
Avg Daily Turnover (US$ m)	1.5
12M Price H/L (Bt)	23.00/12.80
Sector	AUTO
Major Shareholder	Somboon Holding 29.9%

Sources: Bloomberg, Company data, Thanachart estimates

Thanachart Securities

Easing supply-chain issues

COVID-19 outbreak caused the supply chain issues in 3Q21

Two factors caused the supply chain problems in the global auto industry. The first was the global semiconductor chip shortage, and the second was the resurgence of COVID-19 infections and a series of lockdowns in many ASEAN countries in 3Q21 triggering production cuts at auto parts suppliers and causing some assembly plants to temporarily shut down or reduce production. According to the Japan Auto Parts Industries Association, ASEAN accounts for a 30% or so of production sites for Japanese auto suppliers. The COVID-19 outbreaks in Malaysia and Vietnam worsened the semiconductor shortage. Malaysia is a key player in the global semiconductor trade. It is also a center for semiconductor packaging and testing which are the critical last steps in semiconductor production.

Auto makers now ramping up their production after the easing of lockdowns

Given the supply-chain issues, Toyota, the world's largest automaker, announced a production cut to 531k units in August and 500-600k units each in September-October vs. an initial plan of 900k units. Restrictions across ASEAN have started to ease, with Vietnam lifting them and conditions in Malaysia improving. This has allowed Toyota to secure sufficient parts, especially semiconductor packaging in Malaysia, for normal production levels. It thus announced last week that it would resume production at 850-900k units in November. Toyota plans to make up for the lost volume in the remaining months and maintains its full-year FY22 (ending March 2022) global production target of 9m units, up 17% h-h.

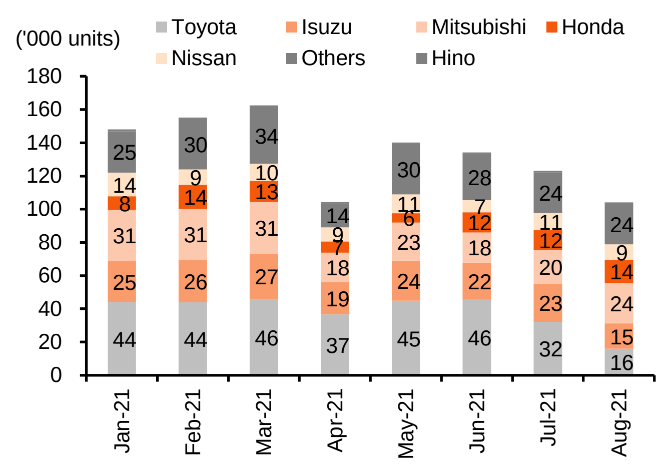
Thailand's auto production to recover from September

In the otherwise high season for exports, the COVID-19 resurgence and shortage of raw materials hammered Thailand's auto output, leading it to drop by 8/15% m-m in July and August. Toyota (30% of total volume in 6M21) and Isuzu (17%) saw volume produced m-m decline in those periods, while other carmakers registered relatively flat growth, except for Mitsubishi. Though the semiconductor chip supply will likely remain tight, the improving COVID-19 situation in Thailand and other ASEAN countries should give a boost to Thailand production from September onwards.

We estimate auto production to recover to 2019's level in 2023F

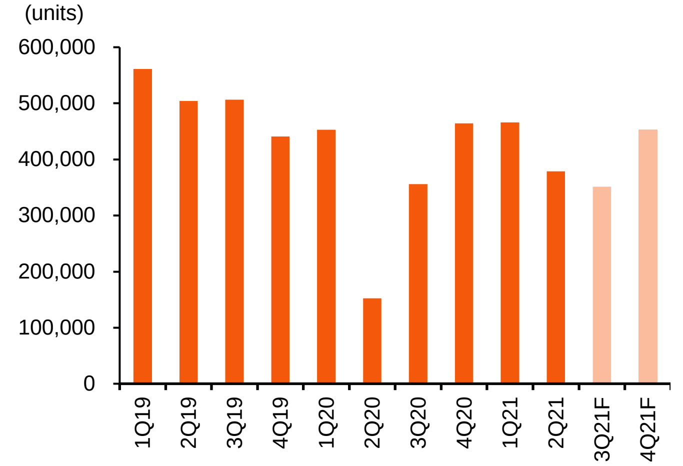
We lift Thailand's 2021F auto production to 1.65m units (from 1.54m), or 16% growth from 2020. The key driver is a strong export growth recovery of 39%. Meanwhile, we estimate domestic sales to be hit by the third COVID-19 wave, falling 18% in 2021F after the big drop of 21% in 2020. With strong exports, production for exports should jump to 65% in 8M21 (vs. 55-58% in 2019-20) with the rest being production for domestic sales. We estimate auto production growth of 9/13% in 2022-23F, with domestic sales growing 14/30% due to the reopening (post-lockdown) and low-base effect and exports growing by 5/2%.

Ex 1: Auto Production Hiccup in July-August



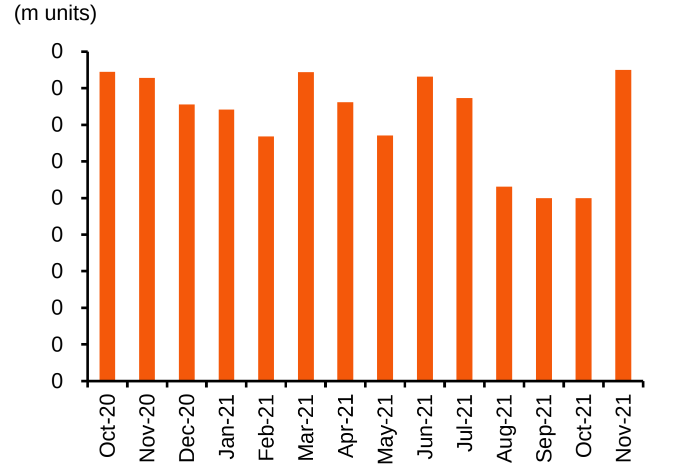
Source: Thai Automotive Industry Association

Ex 2: We Expect Production To Recover From September



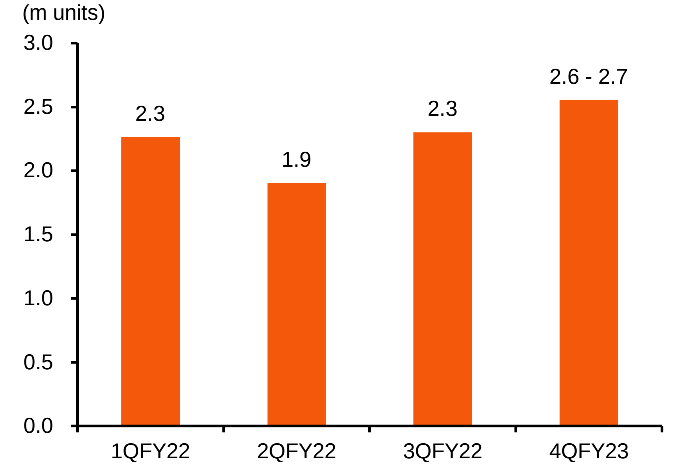
Sources: Thai Automotive Industry Association; Thanachart estimates

Ex 3: Toyota Global Production Rebound In November…



Source: Toyota Motor Guidance

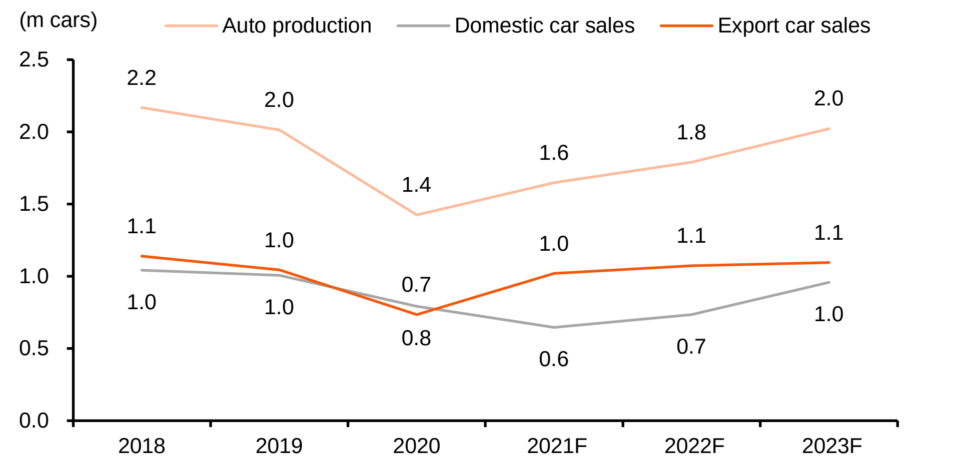
Ex 4: …And To Recover Lost Volume Into March 2022



Source: Toyota Motor Guidance

Note: Fiscal year ending March.

Ex 5: We Forecast Thailand Auto Production To Grow 9/13% In 2022-23F



Sources: Thai Automotive Industry Association; Thanachart estimates

Strong demand for agricultural parts

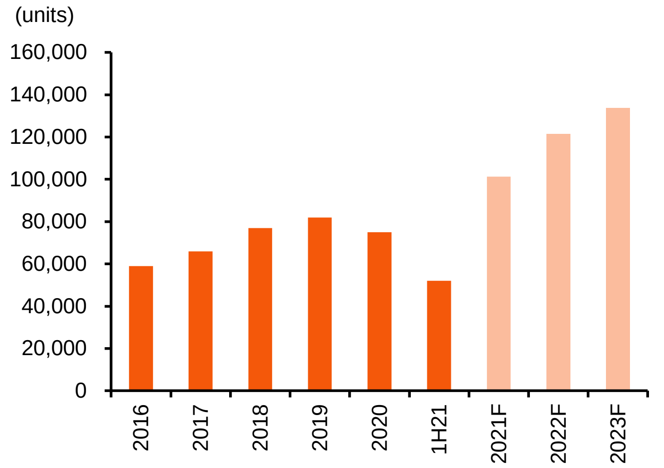
Kubota uses Thailand as a production base for exports

SAT also supplies agricultural machinery to Siam Kubota (24% of 2021F sales), which has a 70-80% Thai tractor market share. Kubota is enjoying the mega-trend of smart farming and it uses Thailand as its production base for exports to Laos, Cambodia Myanmar, Latin America, the US and India.

Decent demand outlook from ASEAN, India and the US

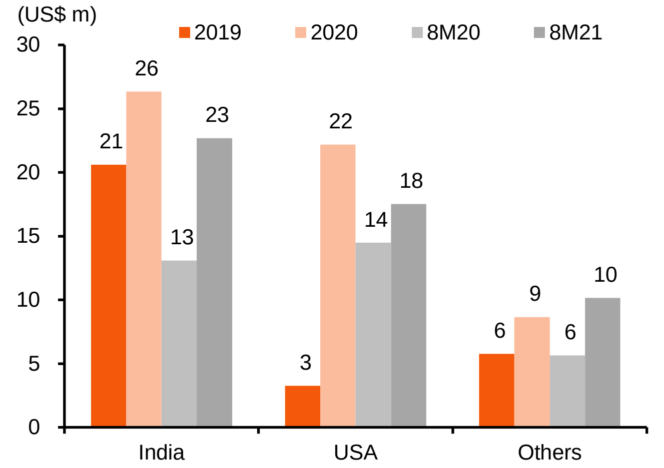
Siam Kubota's production has recovered extremely well this year after the severe drought and COVID-19 resurgence in 1H21. Favorable weather conditions and rising farm income in Thailand, as well as higher export demand, were the key drivers of the jump in 1H21 tractor production growth of 20% compared to the 2019 level. Thailand's tractor exports doubled y-y in July-August 2021. We therefore expect strong export for Kubota and revise up our tractor production assumption this year by 13% to 101k units, or 23% above the 2019 level. We expect strong momentum of production to continue and forecast another 20/10% growth in 2022-23. Key drivers are: 1) A further expansion of demand for farm equipment in ASEAN along with the urbanization trend. 2) Higher exports to India. The Indian tractor market is one of the largest in the world in terms of the number of units. Industry volume has grown by 9% CAGR over the past 15 years. Under penetration of farm mechanization, lower availability of farm labor, and the government's focus on increasing rural income should further drive volume by 4-8% CAGR in the medium term, according to the Indian Rating and Research IND-Ra. After only some years since entering the market, Kubota had gained a decent market share of 2.4% as of July-September 2021. Though the market is dominated by local manufacturers, Kubota last year has formed a joint venture with the fourth-largest local tractor manufacturer, Escorts Limited, to gain a foothold in the Indian market and integrate product technology, sales and its distribution network. Kubota foresees good potential in India and expects it to be its next growth driver. 3) Higher exports to the US. Thailand's tractor exports to the US grew by 21% y-y in 8M21. And we foresee expert momentum continuing to be supported by demand with tractor inventories returning to the normal level of six to seven months vs. record-low inventories of only two months as of September 2021.

Ex 6: We Forecast 20/10% Tractor Production



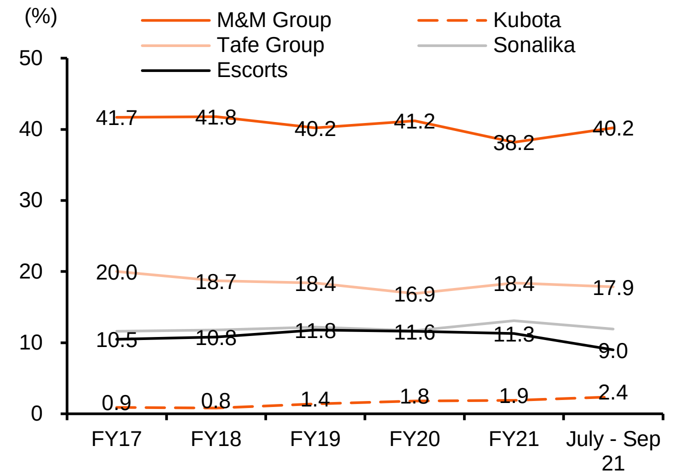
Sources: Company data, Thanachart estimates

Ex 7: Strong Thailand Tractor Exports



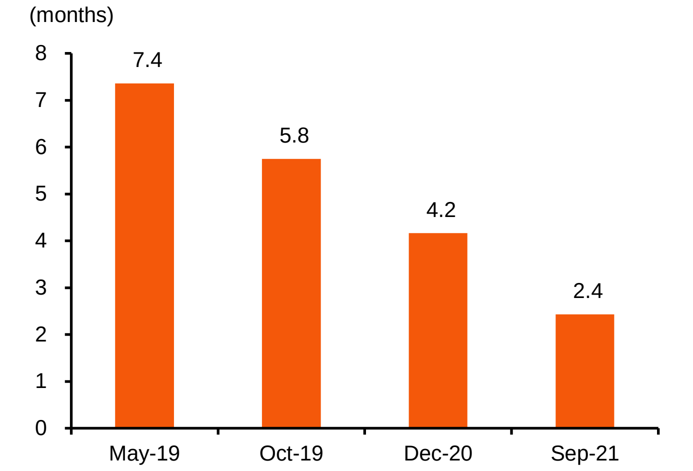
Source: Thai Custom

Ex 8: Kubota Has Gained Market Share In India



Source: Autopunditz

Ex 9: US Tractor Inventories At Record Low

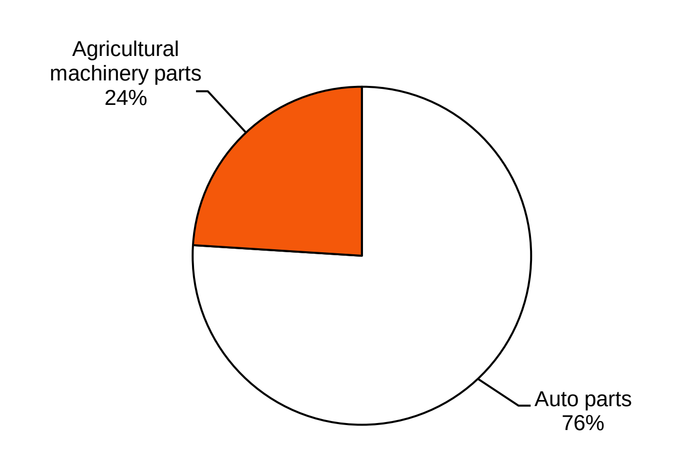


Source: Association Of Equipment Manufacturer

We expect an earnings recovery from 4Q21F

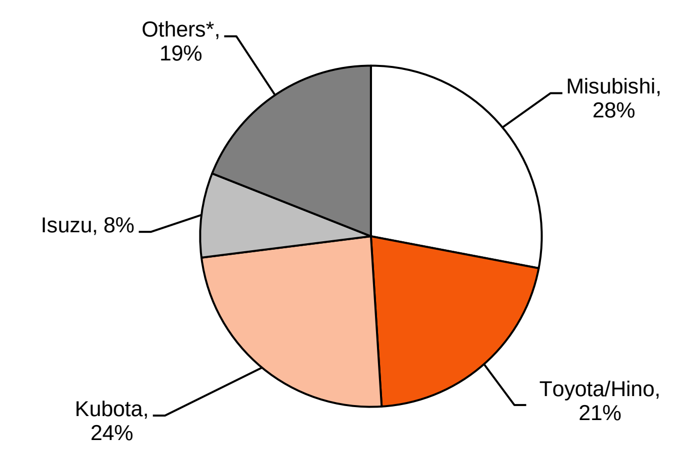
Due to the auto supply chain hiccups and higher steel costs, we project SAT to report weak 3Q21F normalized profit of Bt200m, falling by 15% q-q in the otherwise high season (+144% y-y from the low base). We expect an earnings recovery to be seen from 4Q21F with normalized profit recovering by 8% q-q (-11% y-y) to Bt220m. Despite higher steel costs pressuring gross margin, q-q revenue growth should be the key driver of its earnings recovery. Note that there will be a one-off restructuring expense of Bt70m in 4Q21F. We estimate another 17/24% EPS growth in 2022-23F driven by 13% p.a. sales growth of auto parts and agricultural parts and improving operating margins from 9.7% in 2020 to 10.3/11.6% in 2022-23F. We expect a margin expansion despite factoring in a six to nine months' lag time to pass on rising steel costs. Steel costs, which account for 30-40% of the total cost of goods sold, have risen by 20-30% this year, and we factor in another 10% steel price increase next year.

Ex 10: 2021F Revenue Breakdown



Source: Thanachart estimates

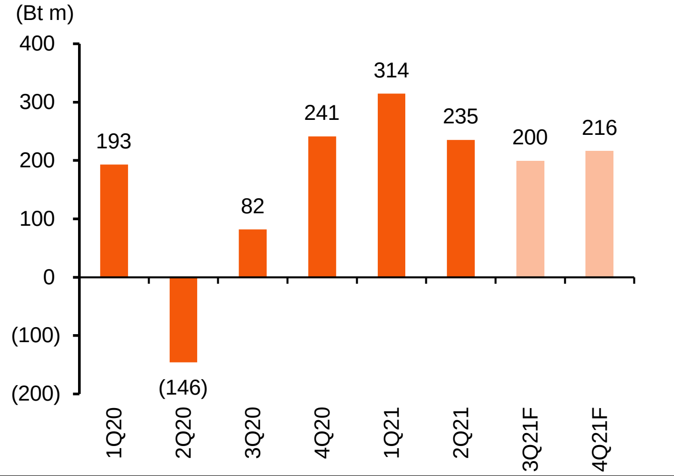
Ex 11: 6M20 Revenue Breakdown By Customer



Source: Company data

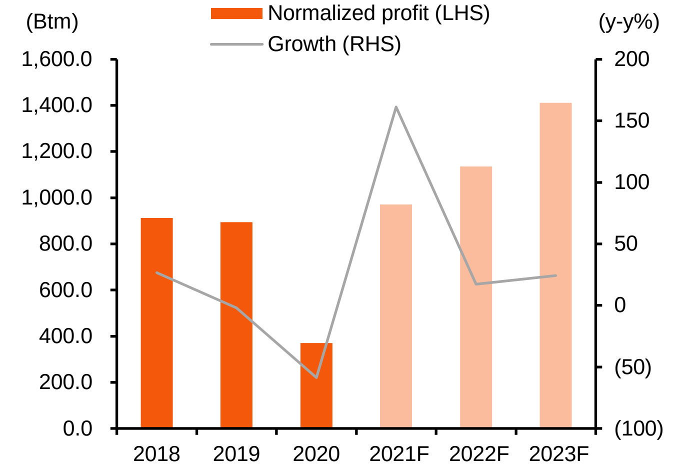
Note: *Others include Honda, Nissan, Ford & Mazda, direct export and REM (replacement equipment manufacturers) customers and other customers

Ex 12: Earnings Recovery From 4Q21F On The Cards



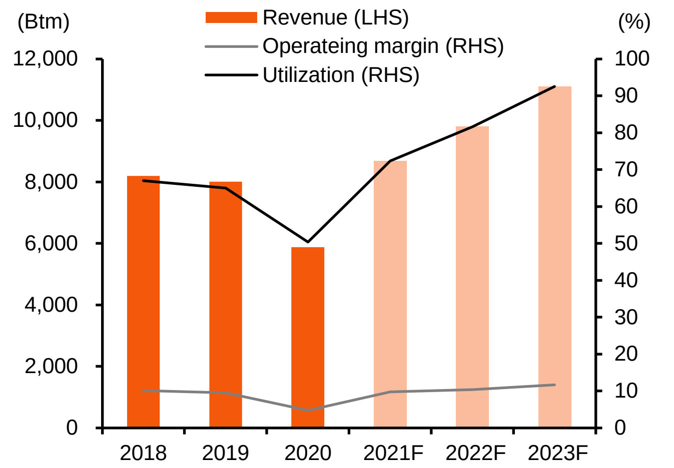
Sources: Company data; Thanachart estimates
Note: Normalized profit

Ex 13: We Project 17/24% Earnings Growth In 2022-23F



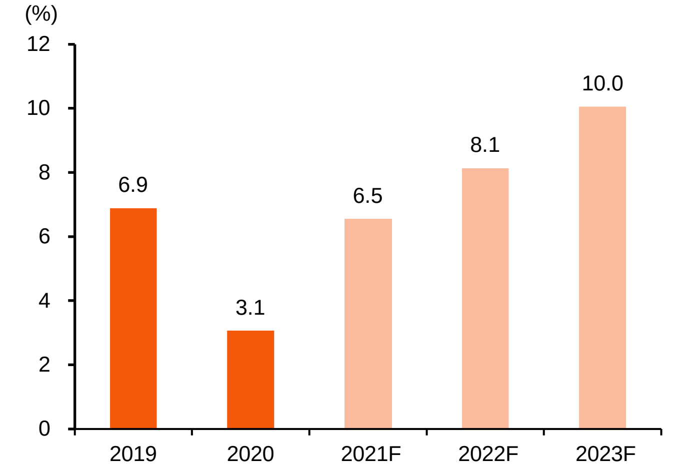
Sources: Company data; Thanachart estimates

Ex 14: Revenue And Operating Margin Forecasts



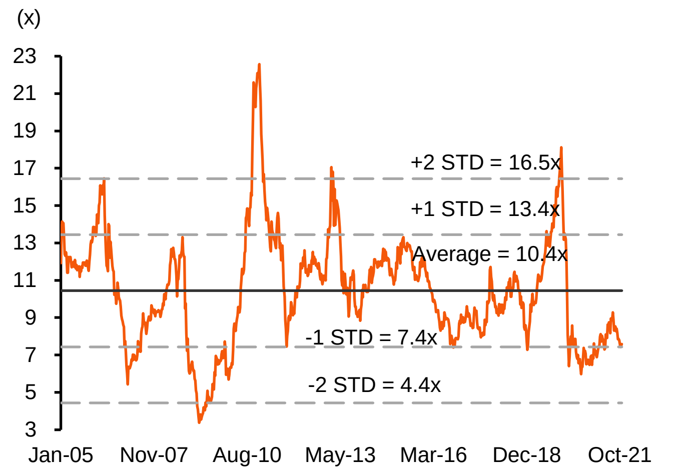
Sources: Company data; Thanachart estimates

Ex 15: Dividend Yields Of 6.5-10.0% In 2022-23F



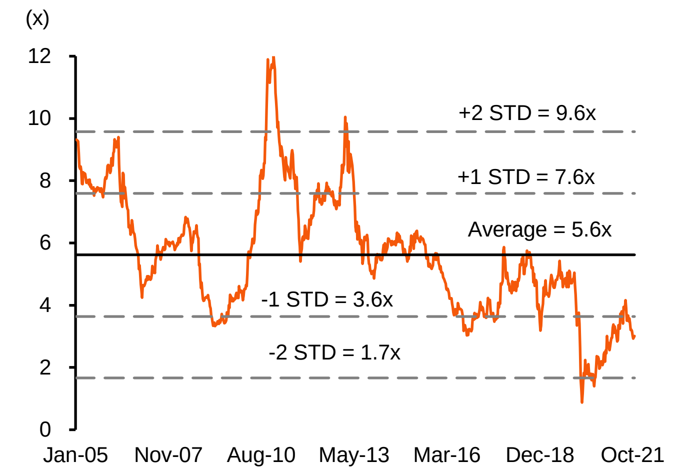
Sources: Company data; Thanachart estimates

Ex 16: SAT Trades At Only 7.4x 2022F PE



Sources: Bloomberg, Thanachart estimates

Ex 17: Also Looks Attractive At 2.9x Forward EV/EBITDA



Sources: Bloomberg, Thanachart estimates

Ex 18: Key Assumption Changes

	2019	2020	2021F	2022F	2023F
Industry auto production (cars)					
New	2,013,710	1,426,072	1,648,956	1,790,069	2,023,414
Old			1,539,848	1,757,196	2,021,025
Change (%)			*7.1*	*1.9*	*0.1*
Industry auto sales (cars)					
New					
Domestic sales	1,007,552	792,110	646,411	735,513	958,400
Export sales			1,020,191	1,072,202	1,095,014
Old					
Domestic sales	1,007,552	792,110	768,347	875,915	1,007,303
Export sales			831,501	931,281	1,033,722
Tractor production (units)					
New	82,000	75,000	101,250	121,500	133,650
Old			89,550	98,505	108,356
Change (%)			*13.1*	*23.3*	*23.3*
Total revenue (Bt m)					
New	8,006	5,883	8,682	9,794	11,104
Old			7,410	8,502	9,662
Change (%)			*17.2*	*15.2*	*14.9*
Average gross margin (%)					
New	18.7	15.1	18.7	18.8	19.5
Old			19.8	20.7	21.8
Change (%)			*(1.1)*	*(2.0)*	*(2.3)*
Normalized earnings (Bt m)					
New	894	371	966	1,129	1,396
Old			882	1,110	1,353
Change (%)			*9.5*	*1.7*	*3.1*

Sources: Company data, Thanachart estimates

Ex 19: 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	1,655	1,955	2,151	2,256	2,339	2,421	2,420	2,415	2,504	2,594	2,653	—
Free cash flow	1,037	1,286	1,265	1,285	1,071	1,097	1,066	955	971	989	927	9,011
PV of free cash flow	1,035	1,035	913	832	608	556	482	386	350	318	254	2,467

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.2
WACC (%)	11.5
Terminal growth (%)	2.0
Enterprise value - add investments	9,666
Net debt (2021F)	(2,886)
Minority interest	56
Equity value	12,496
# of shares (m)	425
Target price/share (Bt)	**29.0**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 20: 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 (%)
Fangda Special Steel Tech	600507 CH	China	35.4	7.0	6.1	5.7	1.7	1.5	na	na	7.7	8.1
Fuyao Glass Industry Group	600660 CH	China	49.4	25.3	31.7	25.3	5.0	4.5	17.5	15.0	2.0	2.4
Weifu High-Technology	000581 CH	China	(3.4)	5.8	7.7	7.3	1.1	1.0	6.8	6.2	6.8	5.8
Bharat Forge	BHFC IN	India	na	44.8	40.0	27.6	6.0	5.1	21.7	16.6	0.5	0.7
Motherson Sumi Systems	MSS IN	India	187.6	48.2	34.1	23.0	5.4	4.6	11.8	9.1	1.0	1.3
Sundram Fasteners	SF IN	India	48.3	29.9	35.1	27.1	6.7	5.5	21.6	17.4	0.6	0.8
UMW Holdings	UMWH MK	Malaysia	11.7	38.6	17.0	12.3	1.0	0.9	9.1	8.2	1.4	2.0
Mando Corp	060980 KS	S. Korea	160.9	10.7	4.9	4.5	0.6	0.5	6.2	5.5	3.7	3.7
Hyundai Mobis	012330 KS	S. Korea	70.1	18.3	9.7	8.2	0.7	0.7	5.6	4.8	1.5	1.8
Hu Lane Associate Inc	6279 TT	Taiwan	43.0	16.7	15.3	13.1	2.5	2.3	9.3	8.2	4.5	5.2
Tong Yang Industry	1319 TT	Taiwan	44.9	21.2	17.2	14.2	0.9	na	6.3	5.4	2.9	4.3
AAPICO Hitech	AH TB	Thailand	571.2	23.8	7.4	6.0	0.9	0.8	8.4	7.7	4.4	5.4
Somboon Advance Tech*	SAT TB	Thailand	160.6	16.9	8.6	7.4	1.1	1.0	3.7	2.9	6.5	8.1
Thai Stanley Electric *,**	STANLY TB	Thailand	29.6	40.5	10.2	7.3	0.7	0.7	2.9	2.1	3.1	4.4
Average			**108.4**	**24.8**	**17.5**	**13.5**	**2.5**	**2.2**	**10.1**	**8.4**	**3.3**	**3.9**

Source: Bloomberg, Thanachart estimates

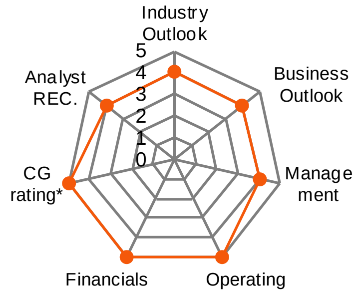
Note: * Thanachart estimates using normalized EPS growth
** STANLY's fiscal year ends in March
Based on 20-Oct-2021 closing prices

COMPANY DESCRIPTION

Somboon Advance Technology Pcl (SAT TB) is one of the leading manufacturers and distributors of motor vehicles and it listed on the Stock Exchange of Thailand (SET) in 2005. SAT's main products are under-car parts related, i.e. axel shafts, disc and drum brakes, serving a variety of vehicles, mainly one-tonne pickups and passenger cars. Most of its customers are Japanese car makers which have factories in Thailand, namely Mitsubishi, Toyota, Honda, Isuzu, Nissan, etc. In 2013, SAT signed a long-term contract to provide agricultural machinery parts for the leading agricultural tractor producer, Kubota.

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

- Leader in under-car parts manufacturing.
- Customer diversification.
- Product diversification
- Limited EV threat on its products.

W — Weakness

- Not strong car export growth outlook in the long-term.
- Still highly focused on Japanese car makers and limited exposure in non-Japanese car markets.

O — Opportunity

- Highly exposed to a turnaround in Thailand's automotive industry.
- Partnership with Mubea, the world's leading spring producer, gives SAT's 50% JV more expertise and potential new car parts production.

T — Threat

- Competition from new regional car production sites.
- Long-term EV trend should make SAT adjust production process of some of its products, e.g. to be lighter weight.
- If separate motors are used for each wheel in EV cars, SAT's axle shaft products will be at risk.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	25.56	29.00	13%
Net profit 21F (Bt m)	924	908	-2%
Net profit 22F (Bt m)	1,058	1,129	7%
Consensus REC	**BUY: 8**	**HOLD: 3**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022F net profits are higher than the Bloomberg consensus estimate, likely due to us having a more bullish view on agricultural parts sales. Our DCF-based TP is therefore also higher.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Weaker-than-expected auto demand from both domestic and export markets is the primary downside risk to our earnings forecasts.
- Natural disasters could lead to industry distortion, representing a secondary downside risk to our earnings projections.
- A worse-than-expected COVID-19 situation would pose a downside risk to our numbers.

Source: Thanachart

We estimate 2022-23F EPS growth of 17/24%

SAT turned net cash after the sale of its industrial spring business

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	8,006	5,883	8,682	9,794	11,104
Cost of sales	6,512	4,991	7,058	7,957	8,935
Gross profit	**1,494**	**891**	**1,624**	**1,837**	**2,169**
% gross margin	18.7%	15.1%	18.7%	18.8%	19.5%
Selling & administration expenses	736	615	779	825	877
Operating profit	**757**	**276**	**844**	**1,012**	**1,292**
% operating margin	9.5%	4.7%	9.7%	10.3%	11.6%
Depreciation & amortization	643	620	627	652	672
EBITDA	**1,401**	**896**	**1,472**	**1,663**	**1,964**
% EBITDA margin	17.5%	15.2%	16.9%	17.0%	17.7%
Non-operating income	193	144	128	145	164
Non-operating expenses	0	0	0	0	0
Interest expense	(11)	(8)	(6)	(6)	(6)
Pre-tax profit	**939**	**412**	**967**	**1,150**	**1,450**
Income tax	100	40	108	135	177
After-tax profit	**840**	**372**	**858**	**1,016**	**1,273**
% net margin	10.5%	6.3%	9.9%	10.4%	11.5%
Shares in affiliates' Earnings	59	3	115	121	130
Minority interests	(4)	(4)	(7)	(7)	(7)
Extraordinary items	0	0	(58)	0	0
NET PROFIT	**895**	**371**	**908**	**1,129**	**1,396**
Normalized profit	**894**	**371**	**966**	**1,129**	**1,396**
EPS (Bt)	2.1	0.9	2.1	2.7	3.3
Normalized EPS (Bt)	2.1	0.9	2.3	2.7	3.3

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	4,581	4,407	5,505	6,428	7,514
Cash & cash equivalent	2,363	2,331	3,020	3,650	4,400
Account receivables	1,448	1,311	1,570	1,771	2,008
Inventories	570	565	716	807	906
Others	200	200	200	200	200
Investments & loans	889	894	894	894	894
Net fixed assets	3,596	3,403	3,280	3,136	2,973
Other assets	245	252	313	345	383
Total assets	**9,311**	**8,955**	**9,992**	**10,803**	**11,764**
LIABILITIES:					
Current liabilities:	1,636	1,501	1,873	2,113	2,363
Account payables	885	974	1,160	1,308	1,469
Bank overdraft & ST loans	109	12	13	12	13
Current LT debt	90	59	61	60	63
Others current liabilities	551	455	639	733	819
Total LT debt	**118**	**59**	**61**	**60**	**62**
Others LT liabilities	355	305	452	506	569
Total liabilities	**2,108**	**1,865**	**2,386**	**2,679**	**2,995**
Minority interest	45	48	56	56	63
Preferreds shares	0	0	0	0	0
Paid-up capital	425	425	425	425	425
Share premium	716	716	716	716	716
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
Retained earnings	**6,016**	**5,901**	**6,409**	**6,927**	**7,565**
Shareholders' equity	7,158	7,042	7,551	8,069	8,707
Liabilities & equity	**9,311**	**8,955**	**9,992**	**10,803**	**11,764**

Sources: Company data, Thanachart estimates

SAT offers dividend yields of 8-10% in 2022-23F

Inexpensive, in our view, trading at 7.4x PE

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	939	412	967	1,150	1,450
Tax paid	(97)	(64)	(89)	(134)	(168)
Depreciation & amortization	643	620	627	652	672
Chg In working capital	(323)	231	(224)	(144)	(175)
Chg In other CA & CL / minorities	184	(71)	279	206	206
Cash flow from operations	**1,346**	**1,127**	**1,560**	**1,730**	**1,984**
Capex	(436)	(427)	(500)	(500)	(500)
Right of use	0	0	(38)	(5)	(5)
ST loans & investments	0	0	0	0	0
LT loans & investments	(31)	(5)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	30	(54)	51	19	22
Cash flow from investments	**(436)**	**(486)**	**(487)**	**(486)**	**(483)**
Debt financing	8	(187)	17	(2)	6
Capital increase	0	0	0	0	0
Dividends paid	(574)	(476)	(400)	(611)	(757)
Warrants & other surplus	(49)	(11)	0	0	0
Cash flow from financing	**(616)**	**(674)**	**(384)**	**(613)**	**(751)**
Free cash flow	**911**	**700**	**1,060**	**1,230**	**1,484**

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	9.3	22.5	8.6	7.4	6.0
Normalized PE - at target price (x)	13.8	33.3	12.8	10.9	8.8
PE (x)	9.3	22.5	9.2	7.4	6.0
PE - at target price (x)	13.8	33.2	13.6	10.9	8.8
EV/EBITDA (x)	4.5	6.8	3.7	2.9	2.1
EV/EBITDA - at target price (x)	7.3	11.3	6.4	5.3	4.1
P/BV (x)	1.2	1.2	1.1	1.0	1.0
P/BV - at target price (x)	1.7	1.8	1.6	1.5	1.4
P/CFO (x)	6.2	7.4	5.3	4.8	4.2
Price/sales (x)	1.0	1.4	1.0	0.9	0.8
Dividend yield (%)	6.9	3.1	6.5	8.1	10.0
FCF Yield (%)	10.9	8.4	12.7	14.8	17.8
(Bt)					
Normalized EPS	2.1	0.9	2.3	2.7	3.3
EPS	2.1	0.9	2.1	2.7	3.3
DPS	1.4	0.6	1.3	1.6	2.0
BV/share	16.8	16.6	17.8	19.0	20.5
CFO/share	3.2	2.7	3.7	4.1	4.7
FCF/share	2.1	1.6	2.5	2.9	3.5

Sources: Company data, Thanachart estimates

SAT has a strong balance sheet with a net cash position

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	(2.3)	(26.5)	47.6	12.8	13.4
Net profit (%)	(2.3)	(58.5)	144.7	24.3	23.6
EPS (%)	(2.3)	(58.5)	144.7	24.3	23.6
Normalized profit (%)	(1.9)	(58.5)	160.6	16.9	23.6
Normalized EPS (%)	(1.9)	(58.5)	160.6	16.9	23.6
Dividend payout ratio (%)	64.2	68.7	60.0	60.0	60.0
Operating performance					
Gross margin (%)	18.7	15.1	18.7	18.8	19.5
Operating margin (%)	9.5	4.7	9.7	10.3	11.6
EBITDA margin (%)	17.5	15.2	16.9	17.0	17.7
Net margin (%)	10.5	6.3	9.9	10.4	11.5
D/E (incl. minor) (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (incl. minor) (x)	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)
Interest coverage - EBIT (x)	71.0	35.6	135.0	158.1	199.2
Interest coverage - EBITDA (x)	131.3	115.5	235.3	259.9	302.8
ROA - using norm profit (%)	9.7	4.1	10.2	10.9	12.4
ROE - using norm profit (%)	12.7	5.2	13.2	14.5	16.6
DuPont					
ROE - using after tax profit (%)	12.0	5.2	11.8	13.0	15.2
- asset turnover (x)	0.9	0.6	0.9	0.9	1.0
- operating margin (%)	11.9	7.1	11.2	11.8	13.1
- leverage (x)	1.3	1.3	1.3	1.3	1.3
- interest burden (%)	98.9	98.2	99.4	99.4	99.6
- tax burden (%)	89.4	90.2	88.8	88.3	87.8
WACC (%)	11.5	11.5	11.5	11.5	11.5
ROIC (%)	13.2	4.9	15.5	19.2	24.9
NOPAT (Bt m)	677	249	750	893	1,134
invested capital (Bt m)	5,112	4,841	4,665	4,550	4,445

Sources: Company data, Thanachart estimates

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