

HOLD (From: BUY)

Change in Recommendation

TP: Bt 37.00

Upside : 8.0%

(From: Bt 42.00)

21 DECEMBER 2021

Small Cap Research

Rajthanee Hospital Pcl. (RJH TB)

Limited upside

We downgrade RJH to HOLD as we foresee limited potential share price upside. We also cut our earnings by 5% p.a. in 2022-23F to reflect a lower reimbursement rate for UCEP-COVID treatment. With -50/-4% EPS declines in 2022-23F and the risk of a further reimbursement rate cut, we see RJH's 21.0x PE as fairly priced.

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Downgrading to HOLD

We downgrade RJH to HOLD (from Buy). *First*, after the 44% YTD rise in its share price, we now see limited upside to our new DCF-based 12-month TP (2022F base year) of Bt37.0 (from Bt42.0). Also, with -50/-4% EPS declines in 2022-23F, its 21.0x PE looks fairly priced to us. *Second*, the reimbursement rate for COVID treatment under the government's Universal Coverage Scheme (UCEP) was cut this month. We also see a risk of it falling further in 2022F. *Third*, the momentum of COVID-related services has weakened faster than we'd expected for RJH over the past month. We lower our earnings by 5% p.a. in 2022-23F and 7% p.a. in 2024F-32F to reflect the second and third points above with further downside risk if the reimbursement rate is cut further. This is despite 3Q21 earnings being much stronger than we'd expected and us having to lift our earnings by 50% this year.

Falling UCEP-COVID reimbursement rates

The National Health Security Office (NHSO) recently cut the reimbursement rates under UCEP for COVID screening (RT-PCR) by 12%, for mild treatment by c.20% and for severe treatment by c.5% starting this month. We see a risk of the reimbursement rates falling further in 2022F as many private hospitals still make very high profits from COVID services. At the announced new rates, we estimate RJH's COVID-related revenue contribution to fall from 41% in 2021F to 13/3% in 2022-23F. Note that RJH's COVID bed capacity in field hospitals and hospital cohort wards fell to 1,209 in November from 1,694 beds in 3Q21.

Improving non-COVID cash patients

Due to delayed visits and treatments by non-COVID patients, we project the number of RJH's non-COVID cash patients to fall further by 2% in 2021F after an 11% drop in 2020. Due to subsiding COVID infections, we expect RJH's non-COVID cash patients to recover to the pre-COVID level in 2024F with 5/7/5% growth in 2022-24F. RJH said that its non-COVID cash patient revenue for OPD and IPD patients in October-November 2021 grew by 5% y-y and 0% y-y vs. -5% and -3% y-y in 3Q21.

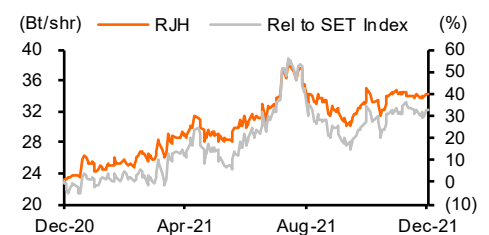
Ayutthaya project put on hold

Due to non-COVID cash patient flow hiccups during the COVID period, RJH has put its Bt400m investment plan for a 120-bed greenfield hospital, near its main campus in Ayutthaya, on hold. But it is still going ahead with its 150-bed greenfield Rajthanee Nongkhae Hospital in Saraburi province. Construction is scheduled to start in 1Q22 after getting environmental impact assessment (EIA) approval, which we expect late this year. The project is due to open in late 2023 or early 2024. We estimate the hospital to make losses in the first three years of operation.

COMPANY VALUATION

| Y/E Dec (Bt m) | 2020A | 2021F | 2022F | 2023F |
|-------------------|-------|-------|--------|-------|
| Sales | 1,855 | 3,022 | 2,188 | 2,156 |
| Net profit | 412 | 982 | 489 | 470 |
| Consensus NP | — | 949 | 427 | 465 |
| Diff frm cons (%) | — | 3.5 | 14.5 | 1.1 |
| Norm profit | 371 | 982 | 489 | 470 |
| Prev. Norm profit | — | 656 | 515 | 493 |
| Chg frm prev (%) | — | 49.7 | (5.1) | (4.8) |
| Norm EPS (Bt) | 1.2 | 3.3 | 1.6 | 1.6 |
| Norm EPS grw (%) | 17.2 | 164.4 | (50.2) | (3.9) |
| Norm PE (x) | 27.7 | 10.5 | 21.0 | 21.9 |
| EV/EBITDA (x) | 19.1 | 7.7 | 14.1 | 14.7 |
| P/BV (x) | 6.9 | 5.2 | 5.3 | 5.0 |
| Div yield (%) | 2.9 | 7.0 | 3.5 | 3.3 |
| ROE (%) | 25.7 | 56.6 | 25.1 | 23.7 |
| Net D/E (%) | 0.8 | 10.0 | 9.5 | 13.0 |

PRICE PERFORMANCE



COMPANY INFORMATION

| | |
|-----------------------------|---------------------------|
| Price as of 21-Dec-21 (Bt) | 34.25 |
| Market Cap (US\$ m) | 305.1 |
| Listed Shares (m shares) | 300.0 |
| Free Float (%) | 61.3 |
| Avg Daily Turnover (US\$ m) | 0.9 |
| 12M Price H/L (Bt) | 38.25/23.10 |
| Sector | Health Care |
| Major Shareholder | Prasithirun family 22.97% |

Sources: Bloomberg, Company data, Thanachart estimates



Downgrading to HOLD

We downgrade our rating to HOLD from Buy

We downgrade our rating on Rajthanee Hospital Pcl (RJH) to HOLD from Buy because of the following reasons:

First, after the 44% YTD rise in its share price, we now see limited upside to our new DCF-based 12-month TP (2022F base year) of Bt37.0 (from Bt42.0). This, together with our estimate for its EPS to decline by 50% in 2022F and 4% in 2023F on the back of falling revenue from COVID-19 related services and Moderna vaccine income, leads us to view its current PE of 21.0x as fairly priced.

Second, the reimbursement rates for COVID treatment under the government's Universal Coverage Scheme (UCEP) were lowered this month. We also see a risk of them falling further in 2022F.

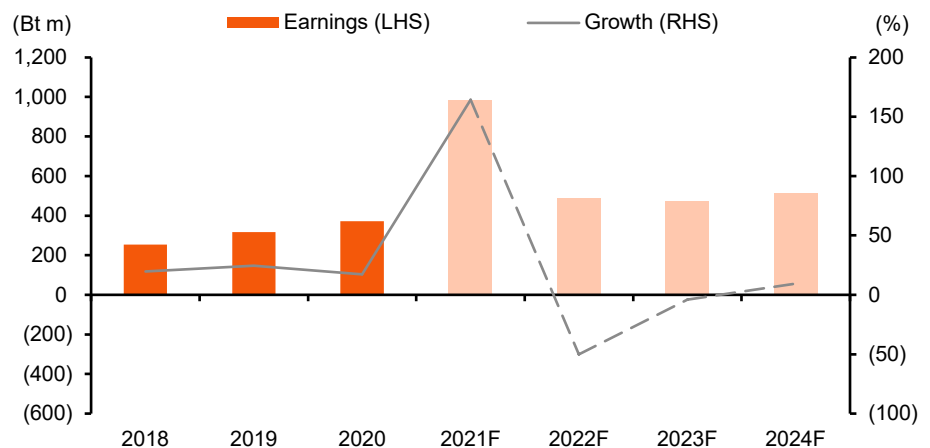
Third, the momentum of COVID-related services has weakened faster than we'd expected for RJH over the past month. We cut our earnings estimates by 5% p.a. in 2022-23F and 7% p.a. in 2024F-32F to reflect the second and third points above with further downside risk if the reimbursement rate is cut again. This is despite 3Q21 earnings being much stronger than we'd expected and us having to raise our earnings by as much as 50% this year.

Ex 1: Changes In Our Key Assumptions And Earnings Revisions

| | 2019A | 2020A | 2021F | 2022F | 2023F | 2024F |
|--|-------|-------|--------|--------|--------|--------|
| Revenue from Covid-19 services (Bt m) | | | | | | |
| - New | | | 1,247 | 288 | 72 | 51 |
| - Old | | | 1,511 | 601 | 127 | 97 |
| - Change (%) | | | (17.5) | (52.2) | (43.6) | (47.2) |
| Gross margin (%) | | | | | | |
| - New | 31.5 | 32.0 | 46.5 | 34.7 | 33.7 | 30.2 |
| - Old | | | 32.1 | 33.7 | 34.3 | 29.6 |
| - Change (pp) | | | 14.3 | 1.0 | (0.7) | 0.6 |
| Normalized profit (Bt m) | | | | | | |
| - New | 317 | 371 | 982 | 489 | 470 | 514 |
| - Old | | | 656 | 515 | 493 | 520 |
| - Change (%) | | | 49.7 | (5.1) | (4.8) | (1.2)* |

Sources: Company data, Thanachart estimates

Note: * Falling losses from new projects due to its new project in Ayutthaya being put on hold

Ex 2: Earnings Growth

Sources: Company data, Thanachart estimates

Falling UCEP-COVID reimbursement rates

The NHSO recently reduced the reimbursement rate for the UCEP-COVID scheme

The National Health Security Office (NHSO) recently reduced the reimbursement rates under the UCEP scheme for COVID screening, mild treatment and severe treatment starting this month. The details are shown in Exhibit 3 below. We foresee a risk of the reimbursement rates being cut further in 2022F as many private hospitals still make very high profits from COVID services.

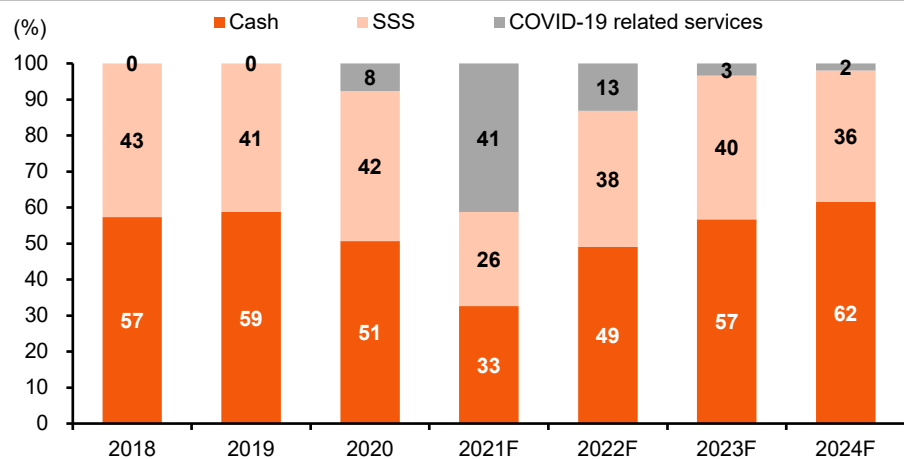
Ex 3: UCEP-COVID Reimbursement Rates

| COVID-19 services | Old reimbursement rate | % decline |
|----------------------------|------------------------|-----------|
| Treatment | | |
| Hospital & Field hospitals | | |
| - green cases | c.Bt5,500/day | c.20% |
| Hospital & Field hospitals | | |
| - yellow and red cases | c.Bt10,000-25,000/day | c.5% |
| Screening | | |
| RT-PCR – Type III | Bt1,700/case | 12% |
| ATK – FIA technic | Bt550/test | 27% |

Sources: NHSO; Company data; Thanachart compilation
Note: Hospitels are hospital-cum-hotels

Revenue contribution from COVID services to fall from 41% in 2021F to 3% in 2023F

At the announced new rates, we estimate RJH's COVID-related revenue contribution to fall from 41% in 2021F to 13% in 2022F and 3% in 2023F. Note that RJH's COVID bed capacity in field hospitals and hospital cohort wards declined to 1,209 in November from 1,694 beds in 3Q21.

Ex 4: Revenue Breakdown

Sources: Company data, Thanachart estimates

Ex 5: COVID Bed Capacity

| | Average numbers of beds | | |
|------------------------------------|-------------------------|--------------|---------------|
| | 3Q21 | October 2021 | November 2021 |
| Non-COVID wards | 169 | 208 | 226 |
| COVID wards | 310 | 154 | 82 |
| Field hospitals: inside hospitals | 362 | 447 | 447 |
| Field hospitals: outside hospitals | 1,022 | 680 | 680 |
| Total COVID beds | 1,694 | 1,281 | 1,209 |
| Total beds | 1,863 | 1,489 | 1,435 |

Source: Company data

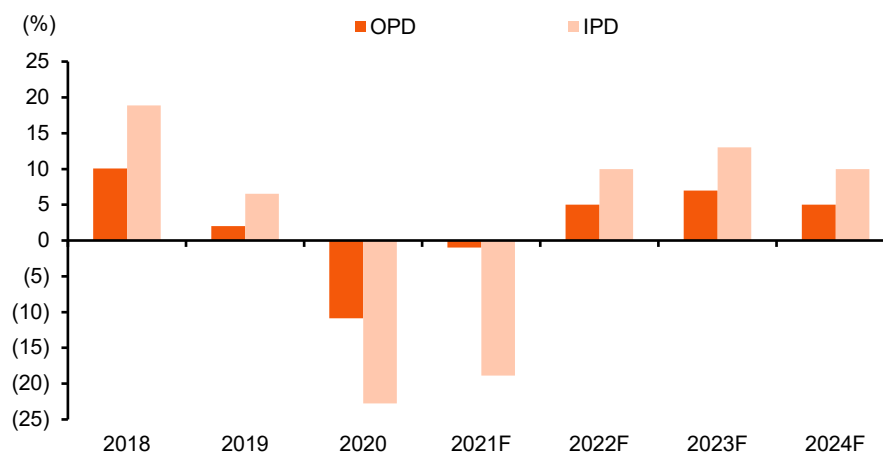
Improving non-COVID cash patients

We forecast its non-COVID cash patients to grow by 5%, 7% and 5% in 2022-24F

RJH's cash patients suffered a negative impact from the spread of COVID-19 as people either delayed hospital visits or self-treated not-so-serious illnesses. We project the number of RJH's non-COVID cash patients to fall further by 2% in 2021F after an 11% drop in 2020.

Due to subsiding COVID infections, we estimate RJH's non-COVID cash patients to recover to the pre-COVID level in 2024F with 5%, 7% and 5% growth in 2022-24F. We expect the drivers to be pent-up healthcare demand and a new client segment comprising government officials. Note that RJH is registered as one of the private hospitals that can provide medical treatment to government officials (only for inpatient [IPD] cases). RJH said that its non-COVID cash patient revenue for outpatient (OPD) and IPD patients in October-November 2021 grew by 5% y-y and 0% y-y vs. -5% and -3% y-y in 3Q21.

Ex 6: Non-COVID Cash Patient Growth



Sources: Company data, Thanachart estimates

Ex 7: 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 excl. depre from right of use | 741 | 715 | 757 | 812 | 869 | 924 | 985 | 1,046 | 1,105 | 1,169 | 1,243 | — |
| Free cash flow | 616 | 289 | 596 | 639 | 681 | 718 | 766 | 815 | 865 | 915 | 744 | 13,967 |
| PV of free cash flow | 614 | 255 | 494 | 489 | 487 | 480 | 479 | 476 | 473 | 447 | 338 | 6,344 |
| Risk-free rate (%) | 2.5 | | | | | | | | | | | |
| Market risk premium (%) | 8.0 | | | | | | | | | | | |
| Beta | 0.6 | | | | | | | | | | | |
| WACC (%) | 6.5 | | | | | | | | | | | |
| Terminal growth (%) | 2.0 | | | | | | | | | | | |
| Enterprise value - add investments | 11,375 | | | | | | | | | | | |
| Net debt (end-2021F) | 197 | | | | | | | | | | | |
| Minority interest | 10 | | | | | | | | | | | |
| Equity value | 11,167 | | | | | | | | | | | |
| # of shares (m) | 300 | | | | | | | | | | | |
| Equity value / share (Bt) | 37.00 | | | | | | | | | | | |

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 8: Valuation Comparison With Regional Peers

| Name | BBG code | Country | Market Cap (US\$ m) | 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 (%) |
| Ramsay Healthcare | RHC AU | Australia | 11,473 | 19.8 | (11.0) | 34.2 | 38.4 | 3.9 | 3.9 | 13.0 | 13.0 | 1.6 | 1.6 |
| Guangzhou Pharmaceutical | 874 HK | Hong Kong | 7,312 | 20.8 | 4.3 | 8.9 | 8.5 | 1.1 | 1.0 | 7.1 | 7.4 | 2.4 | 2.3 |
| Lijun Int'l Pharmaceutical | 2005 HK | Hong Kong | 1,379 | (2.4) | 39.4 | 12.6 | 9.0 | 1.7 | 1.5 | 8.8 | 6.8 | 3.6 | 4.7 |
| Apollo Hospitals Enterprise | APHS IN | India | 9,253 | na | 934.9 | 814.8 | 78.7 | 16.6 | 12.9 | 64.0 | 32.0 | 0.1 | 0.2 |
| Fortis Healthcare India | FORH IN | India | 2,771 | na | na | na | 59.9 | 3.2 | 3.2 | 55.2 | 20.6 | 0.0 | 0.0 |
| KPJ Healthcare | KPJ MK | Malaysia | 1,069 | na | 200.0 | 80.0 | 26.7 | 2.1 | 1.9 | 15.8 | 12.2 | 1.0 | 1.8 |
| IHH Healthcare Bhd | IHH MK | Malaysia | 13,648 | 169.8 | 7.6 | 38.4 | 35.7 | 2.4 | 2.3 | 16.8 | 16.0 | 0.8 | 1.0 |
| Ryman | RYM NZ | New Zealand | 4,117 | (7.6) | 1.5 | 26.2 | 25.8 | 2.4 | 1.9 | 31.2 | 26.3 | 1.9 | 1.7 |
| Raffles Medical Group | RFMD SP | Singapore | 1,781 | 78.3 | 0.0 | 31.7 | 31.7 | 2.6 | 2.5 | 17.6 | 16.6 | 2.2 | 1.8 |
| Bangkok Chain Hospital * | BCH TB | Thailand | 1,481 | 373.8 | (58.6) | 8.6 | 20.7 | 4.6 | 4.5 | 6.2 | 11.9 | 6.4 | 2.7 |
| Bangkok Dusit Medical * | BDMS TB | Thailand | 10,711 | 15.6 | 16.1 | 51.6 | 44.5 | 4.1 | 3.9 | 27.8 | 25.0 | 1.1 | 1.2 |
| Bumrungrad Hospital * | BH TB | Thailand | 3,268 | (20.0) | 69.0 | 114.7 | 67.8 | 6.5 | 6.8 | 46.0 | 33.8 | 2.2 | 2.2 |
| Chularat Hospital * | CHG TB | Thailand | 1,189 | 176.2 | (34.9) | 16.5 | 25.4 | 7.5 | 7.3 | 12.7 | 19.4 | 4.2 | 2.8 |
| Ladprao General Hospital * | LPH TB | Thailand | 123 | 49.6 | (13.0) | 19.4 | 22.3 | 2.8 | 2.7 | 10.8 | 11.6 | 4.1 | 3.6 |
| Praram 9 Hospital * | PR9 TB | Thailand | 254 | 3.9 | 20.0 | 40.8 | 34.0 | 2.0 | 2.0 | 15.3 | 13.4 | 1.1 | 1.3 |
| Rajthanee Hospital * | RJH TB | Thailand | 305 | 164.4 | na | 10.5 | 21.0 | 5.2 | 5.3 | 7.7 | 14.1 | 7.0 | 3.5 |
| Ratchaphruek Hospital * | RPH TB | Thailand | 96 | 13.0 | 18.2 | 30.6 | 25.9 | 2.3 | 2.3 | 16.1 | 14.4 | 2.5 | 2.9 |
| Thonburi Healthcare Group* | THG TB | Thailand | 908 | na | na | 27.0 | 61.8 | 3.5 | 3.6 | 14.5 | 22.0 | 2.6 | 1.1 |
| Average | | | | 75.4 | 79.6 | 80.4 | 35.4 | 4.1 | 3.9 | 21.5 | 17.6 | 2.5 | 2.0 |

Source: Bloomberg

Note: * Thanachart estimates, using Thanachart normalized EPS

Based on 21 Dec 2021 closing prices

COMPANY DESCRIPTION

Rajthanee Hospital Pcl (RJH) operates a private hospital with 292 active beds under the “Rajthanee” brand in Thailand’s Ayutthaya province. The company was established in 1992. It also acquired a 52% stake in Rajthanee Rojana Hospital (RRH) in 2014. Presently, RJH provides medical treatment to cash patients and Social Security Scheme patients. RJH has expertise in emergency care, children’s care and orthopaedics. The company has increased its stake in RRH to 98% presently.

Source: Thanachart

THANACHART’S SWOT ANALYSIS

S — Strength

- The largest private hospital in Ayutthaya province with considerable experience and a reputable brand in managed-care scheme services.
- Hospitals in RJH’s portfolio are in prime locations (communities, factories and industrial estates).

O — Opportunity

- Limited public healthcare supply in Thailand.
- Capacity expansion to support rising healthcare demand in the future.
- Rising patient flows from neighbouring countries.

CONSENSUS COMPARISON

| | Consensus | Thanachart | Diff |
|-----------------------|---------------|----------------|----------------|
| Target price (Bt) | 37.70 | 37.00 | -2% |
| Net profit 21F (Bt m) | 949 | 982 | 3% |
| Net profit 22F (Bt m) | 427 | 489 | 14% |
| Consensus REC | BUY: 3 | HOLD: 3 | SELL: 0 |

HOW ARE WE DIFFERENT FROM THE STREET?

- Our TP is in line with the Bloomberg consensus number, despite our 2022F earnings being above the Street’s forecast, which we attribute to us having a more conservative view on its longer-term earnings as a result of new hospitals’ losses.

Sources: Bloomberg consensus, Thanachart estimates

COMPANY RATING



Rating Scale

| | |
|------------------|----------|
| Excellent | 5 |
| Good | 4 |
| Fair | 3 |
| Weak | 2 |
| Very Weak | 1 |
| None | 0 |

Source: Thanachart; * CG Rating

W — Weakness

- Limited patient-base diversification as RJH still mainly focuses on the low- to mid-tier and managed-care markets.

T — Threat

- Growing importance of franchise names and big players such as Bangkok Dusit Medical Services (BDMS TB, Bt22.70, BUY), which have entered the mid-market segment.
- Rising competition from new non-listed rivals in Ayutthaya province.
- Regulatory risk.

RISKS TO OUR INVESTMENT CASE

- If RJH’s strategy of boosting revenue from the cash-patient business works/does not work out, this would present the key upside/downside risk to our call.
- Given RJH’s capacity expansion plans, its new hospitals may turn profitable faster/slower than we currently expect if there is less/more competition from existing or new private healthcare operators, representing the secondary upside/downside risk to our call.
- If the Adjusted Relative Weight (RW) under the SSS were to increase/fall, there could be upside/downside risk to our earnings projections.

Source: Thanachart

INCOME STATEMENT

Strong COVID-19 related services drive 2021F revenue

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|-----------------------------------|------------|------------|--------------|------------|------------|
| Sales | 1,771 | 1,855 | 3,022 | 2,188 | 2,156 |
| Cost of sales | 1,213 | 1,262 | 1,618 | 1,429 | 1,430 |
| Gross profit | 557 | 594 | 1,404 | 759 | 726 |
| % gross margin | 31.5% | 32.0% | 46.5% | 34.7% | 33.7% |
| Selling & administration expenses | 188 | 163 | 190 | 166 | 160 |
| Operating profit | 369 | 431 | 1,214 | 593 | 566 |
| % operating margin | 20.8% | 23.2% | 40.2% | 27.1% | 26.3% |
| Depreciation & amortization | 90 | 109 | 141 | 148 | 149 |
| EBITDA | 459 | 539 | 1,354 | 741 | 715 |
| % EBITDA margin | 25.9% | 29.1% | 44.8% | 33.9% | 33.2% |
| Non-operating income | 32 | 23 | 23 | 29 | 30 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 |
| Interest expense | (4) | (0) | (3) | (5) | (3) |
| Pre-tax profit | 397 | 453 | 1,233 | 617 | 593 |
| Income tax | 80 | 81 | 247 | 123 | 119 |
| After-tax profit | 318 | 372 | 987 | 494 | 475 |
| % net margin | 17.9% | 20.1% | 32.6% | 22.6% | 22.0% |
| Shares in affiliates' Earnings | 0 | 0 | 0 | 0 | 0 |
| Minority interests | (1) | (1) | (5) | (5) | (5) |
| Extraordinary items | 79 | 41 | 0 | 0 | 0 |
| NET PROFIT | 396 | 412 | 982 | 489 | 470 |
| Normalized profit | 317 | 371 | 982 | 489 | 470 |
| EPS (Bt) | 1.3 | 1.4 | 3.3 | 1.6 | 1.6 |
| Normalized EPS (Bt) | 1.1 | 1.2 | 3.3 | 1.6 | 1.6 |

BALANCE SHEET

No new hospitals planned in 2021-23

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| ASSETS: | | | | | |
| Current assets: | 576 | 441 | 945 | 593 | 557 |
| Cash & cash equivalent | 223 | 58 | 150 | 100 | 100 |
| Account receivables | 313 | 343 | 745 | 450 | 413 |
| Inventories | 31 | 36 | 44 | 39 | 39 |
| Others | 9 | 4 | 6 | 4 | 4 |
| Investments & loans | 10 | 0 | 353 | 353 | 353 |
| Net fixed assets | 967 | 1,272 | 1,285 | 1,439 | 1,673 |
| Other assets | 133 | 187 | 195 | 205 | 215 |
| Total assets | 1,685 | 1,899 | 2,778 | 2,590 | 2,797 |
| LIABILITIES: | | | | | |
| Current liabilities: | 225 | 340 | 705 | 591 | 675 |
| Account payables | 197 | 241 | 310 | 274 | 274 |
| Bank overdraft & ST loans | 0 | 70 | 347 | 283 | 366 |
| Current LT debt | 0 | 0 | 0 | 0 | 0 |
| Others current liabilities | 28 | 29 | 48 | 34 | 34 |
| Total LT debt | 1 | 0 | 0 | 0 | 0 |
| Others LT liabilities | 60 | 57 | 93 | 67 | 66 |
| Total liabilities | 286 | 398 | 798 | 658 | 741 |
| Minority interest | 4 | 5 | 10 | 10 | 15 |
| Preferreds shares | 0 | 0 | 0 | 0 | 0 |
| Paid-up capital | 300 | 300 | 300 | 300 | 300 |
| Share premium | 1,093 | 1,093 | 1,093 | 1,093 | 1,093 |
| Warrants | 0 | 0 | 0 | 0 | 0 |
| Surplus | (354) | (354) | (354) | (354) | (354) |
| Retained earnings | 357 | 457 | 930 | 882 | 1,002 |
| Shareholders' equity | 1,396 | 1,496 | 1,969 | 1,922 | 2,041 |
| Liabilities & equity | 1,685 | 1,899 | 2,778 | 2,590 | 2,797 |

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

*Sustainable cash inflow,
on our forecasts*

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Earnings before tax | 397 | 453 | 1,233 | 617 | 593 |
| Tax paid | (68) | (80) | (229) | (136) | (119) |
| Depreciation & amortization | 90 | 109 | 141 | 148 | 149 |
| Chg In working capital | (11) | 9 | (342) | 264 | 36 |
| Chg In other CA & CL / minorities | 84 | 5 | (2) | (9) | (8) |
| Cash flow from operations | 491 | 496 | 802 | 884 | 652 |
| Capex | (246) | (411) | (150) | (300) | (380) |
| Right of use | 0 | (1) | 0 | 0 | 0 |
| ST loans & investments | 0 | 0 | 0 | 0 | 0 |
| LT loans & investments | (10) | 10 | (353) | 0 | 0 |
| Adj for asset revaluation | 0 | 0 | 0 | 0 | 0 |
| Chg In other assets & liabilities | 99 | (16) | 24 | (33) | (6) |
| Cash flow from investments | (157) | (419) | (479) | (333) | (386) |
| Debt financing | (345) | 70 | 277 | (65) | 84 |
| Capital increase | 0 | 0 | (0) | 0 | 0 |
| Dividends paid | (300) | (315) | (508) | (537) | (350) |
| Warrants & other surplus | (6) | 3 | 0 | 0 | 0 |
| Cash flow from financing | (650) | (243) | (231) | (602) | (266) |
| Free cash flow | 245 | 85 | 652 | 584 | 272 |

VALUATION

*Trading at fair value, in
our view*

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|-------------------------------------|-------|-------|-------|-------|-------|
| Normalized PE (x) | 32.4 | 27.7 | 10.5 | 21.0 | 21.9 |
| Normalized PE - at target price (x) | 35.0 | 29.9 | 11.3 | 22.7 | 23.6 |
| PE (x) | 26.0 | 24.9 | 10.5 | 21.0 | 21.9 |
| PE - at target price (x) | 28.0 | 26.9 | 11.3 | 22.7 | 23.6 |
| EV/EBITDA (x) | 21.9 | 19.1 | 7.7 | 14.1 | 14.7 |
| EV/EBITDA - at target price (x) | 23.7 | 20.6 | 8.3 | 15.2 | 15.9 |
| P/BV (x) | 7.4 | 6.9 | 5.2 | 5.3 | 5.0 |
| P/BV - at target price (x) | 8.0 | 7.4 | 5.6 | 5.8 | 5.4 |
| P/CFO (x) | 20.9 | 20.7 | 12.8 | 11.6 | 15.8 |
| Price/sales (x) | 5.8 | 5.5 | 3.4 | 4.7 | 4.8 |
| Dividend yield (%) | 3.2 | 2.9 | 7.0 | 3.5 | 3.3 |
| FCF Yield (%) | 2.4 | 0.8 | 6.3 | 5.7 | 2.6 |
| (Bt) | | | | | |
| Normalized EPS | 1.1 | 1.2 | 3.3 | 1.6 | 1.6 |
| EPS | 1.3 | 1.4 | 3.3 | 1.6 | 1.6 |
| DPS | 1.1 | 1.0 | 2.4 | 1.2 | 1.1 |
| BV/share | 4.7 | 5.0 | 6.6 | 6.4 | 6.8 |
| CFO/share | 1.6 | 1.7 | 2.7 | 2.9 | 2.2 |
| FCF/share | 0.8 | 0.3 | 2.2 | 1.9 | 0.9 |

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|----------------------------------|-------|-------|--------|--------|--------|
| Growth Rate | | | | | |
| Sales (%) | 11.6 | 4.8 | 62.9 | (27.6) | (1.5) |
| Net profit (%) | 55.5 | 4.2 | 138.0 | (50.2) | (3.9) |
| EPS (%) | 55.5 | 4.2 | 138.0 | (50.2) | (3.9) |
| Normalized profit (%) | 24.5 | 17.2 | 164.4 | (50.2) | (3.9) |
| Normalized EPS (%) | 24.5 | 17.2 | 164.4 | (50.2) | (3.9) |
| Dividend payout ratio (%) | 83.4 | 72.7 | 73.0 | 73.0 | 73.0 |
| Operating performance | | | | | |
| Gross margin (%) | 31.5 | 32.0 | 46.5 | 34.7 | 33.7 |
| Operating margin (%) | 20.8 | 23.2 | 40.2 | 27.1 | 26.3 |
| EBITDA margin (%) | 25.9 | 29.1 | 44.8 | 33.9 | 33.2 |
| Net margin (%) | 17.9 | 20.1 | 32.6 | 22.6 | 22.0 |
| D/E (incl. minor) (x) | 0.0 | 0.0 | 0.2 | 0.1 | 0.2 |
| Net D/E (incl. minor) (x) | (0.2) | 0.0 | 0.1 | 0.1 | 0.1 |
| Interest coverage - EBIT (x) | 85.1 | na | 414.32 | 115.81 | 166.19 |
| Interest coverage - EBITDA (x) | 105.8 | na | 462.38 | 144.71 | 209.91 |
| ROA - using norm profit (%) | 17.8 | 20.7 | 42.0 | 18.2 | 17.4 |
| ROE - using norm profit (%) | 23.5 | 25.7 | 56.6 | 25.1 | 23.7 |
| DuPont | | | | | |
| ROE - using after tax profit (%) | 23.5 | 25.8 | 56.9 | 25.4 | 24.0 |
| - asset turnover (x) | 1.0 | 1.0 | 1.3 | 0.8 | 0.8 |
| - operating margin (%) | 22.7 | 24.4 | 40.9 | 28.4 | 27.7 |
| - leverage (x) | 1.3 | 1.2 | 1.3 | 1.4 | 1.4 |
| - interest burden (%) | 98.9 | 99.9 | 99.8 | 99.2 | 99.4 |
| - tax burden (%) | 80.0 | 82.2 | 80.0 | 80.0 | 80.0 |
| WACC (%) | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| ROIC (%) | 26.6 | 30.2 | 64.4 | 21.9 | 21.5 |
| NOPAT (Bt m) | 295 | 354 | 971 | 474 | 453 |
| invested capital (Bt m) | 1,173 | 1,508 | 2,167 | 2,104 | 2,308 |

Sources: Company data, Thanachart estimates

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