BUY (Unchanged)

Company Update

TP: Bt 95.00 (From: Bt 87.00)

Upside: 25.4%

24 JANUARY 2022

Small Cap Research

Thanachart Securities

COM7 Pcl. (COM7 TB)

Another record earnings

We expect COM7 to report a new earnings high in 4Q21F, despite some stock shortages, of Bt720m, up 30% y-y and 29% q-q. Momentum is continuing into 1Q22F with likely higher profit. Market share gains and scale benefits are the names of the game and we expect another 38% EPS growth this year. Reaffirm BUY.

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Another record quarter

COM7's 4Q21F earnings look likely to be far better than we had expected earlier and we now estimate them at Bt720m, up 30% y-y and 29% q-q. This is despite some supply shortages of tablets, computers and smart phones. While demand has been strong in general, we believe COM7 has continued to gain market share and enjoyed some pent-up demand from the lockdown in 3Q21, when profit of Bt560m was nearly flat from 2Q21. Sales so far in 1Q22 have grown both y-y and q-q despite both 1Q21 and 4Q21 being high-base quarters.

Boosting our earnings

We raise our earnings by 16% in 2021F and 14/11% in 2022-23F. Our new assumptions for same-store sales (SSS) growth, store openings and EBIT margins are shown in Exhibit 4. We lift our DCF-based 12-month TP (2022F base year) to Bt95 (from Bt87) and reaffirm our BUY rating on COM7. After our earnings boost, we forecast another 38% y-y EPS growth this year. We expect the industry to grow 5% this year after figures of -3/+10% in 2020-21F. With market-share gains, we estimate COM7's sales growth at 23% y-y this year driven by both higher SSS growth and more aggressive store openings. COM7 is adding new, small-home appliance products and plans to introduce new, higher-margin exclusive products, co-branded with Xiaomi and Oppo.

More aggressive store expansion

COM7 plans to open at least 150 stores this year vs. 124/100-plus in 2020-21. Of the total 958 stores as of 9M21, over 40 were in the new standalone format, 802 in shopping malls and 109 franchised stores. Half of the expansion this year is targeted to be in the standalone format which was a major success last year. The new format allows COM7 to gain market share from other smaller players. The standalone format, which is at least double the size of shops in shopping malls, also helps COM7 to sell new product lines, eg, home appliances. COM7 expects standalone shops to eventually make a higher profit per store than shops in malls given that rental costs are more than 50% lower.

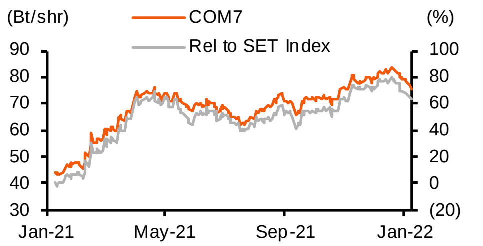
Market share factors

We estimate COM7's market share to rise to 21% in 2021F from 15% in 2019. Key market-share gain factors are: more aggressive store expansion than other players; some small and SME-sized players having exited the market during the COVID years; more partnership deals such as True Shop, BigC Supercenter, Index Mall and potentially Lotus; more lower-priced models driving out second-hand mobile shops and kiosks; COM7's greater product variety and SKUs with similar pricing and promotions.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	37,306	48,256	59,017	66,271
Net profit	1,491	2,425	3,341	4,083
Consensus NP	—	2,347	2,918	3,639
Diff frm cons (%)	—	*3.3*	*14.5*	*12.2*
Norm profit	1,449	2,425	3,341	4,083
Prev. Norm profit	—	2,091	2,920	3,685
Chg frm prev (%)	—	*16.0*	*14.4*	*10.8*
Norm EPS (Bt)	1.2	2.0	2.8	3.4
Norm EPS grw (%)	19.1	67.3	37.8	22.2
Norm PE (x)	62.7	37.5	27.2	22.3
EV/EBITDA (x)	39.0	25.7	19.2	16.0
P/BV (x)	23.6	19.3	16.0	13.7
Div yield (%)	1.3	2.1	3.0	3.9
ROE (%)	40.1	56.7	64.3	66.2
Net D/E (%)	22.4	5.6	0.6	(5.7)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 24-Jan-22 (Bt)	75.75
Market Cap (US$ m)	2,755.5
Listed Shares (m shares)	1,200.0
Free Float (%)	45.7
Avg Daily Turnover (US$ m)	16.0
12M Price H/L (Bt)	83.75/43.00
Sector	Commerce
Major Shareholder	Khun Sura Kanittavikul 25.05%

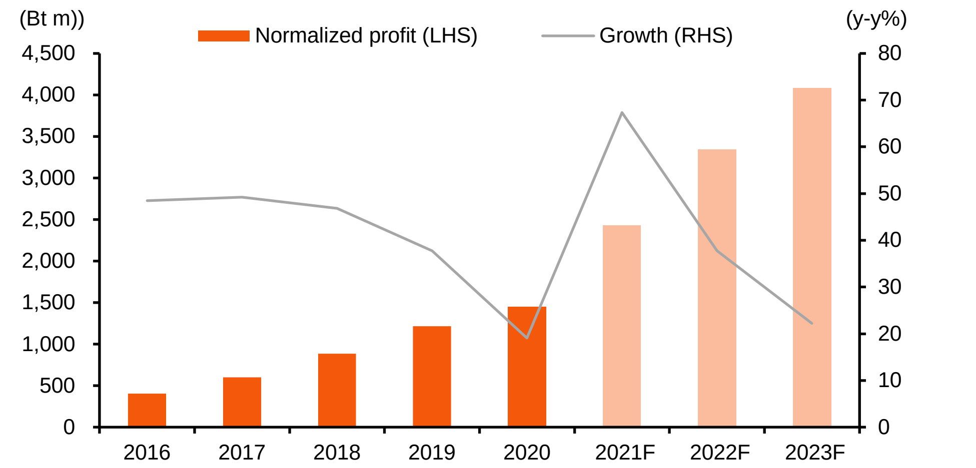
Sources: Bloomberg, Company data, Thanachart estimates

Boosting our earnings

Raising our earnings and TP to Bt95

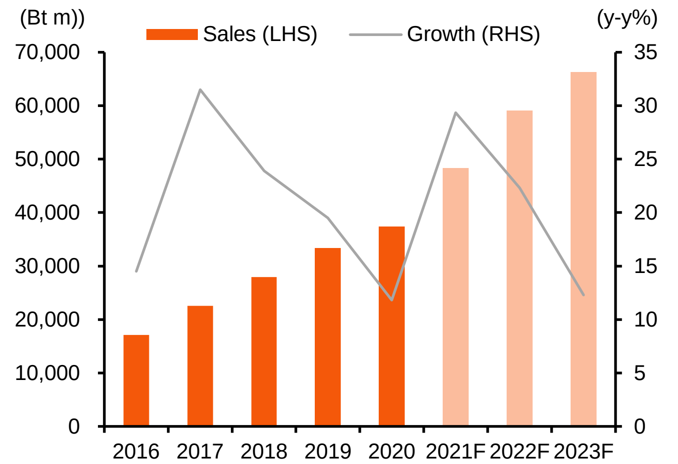
We reaffirm our BUY rating on shares of COM7 Pcl (COM7) with a higher, DCF-based 12-month TP, using a 2022F base year, of Bt95/share (from Bt87) as we now expect 4Q21F results and the company's longer-term prospects to be stronger than we had expected earlier. We boost our earnings estimates by 16/14/11% in 2021-23F. After the upgrades, we project 38% EPS growth in 2022F, after 19/67% growth in 2020-21F. Strong earnings growth is derived from both sales growth and rising EBIT margins from COM7's meaningful operating leverage impact and more exposure from higher-margin IT products which we mention below.

Ex 1: Strong Earnings Growth



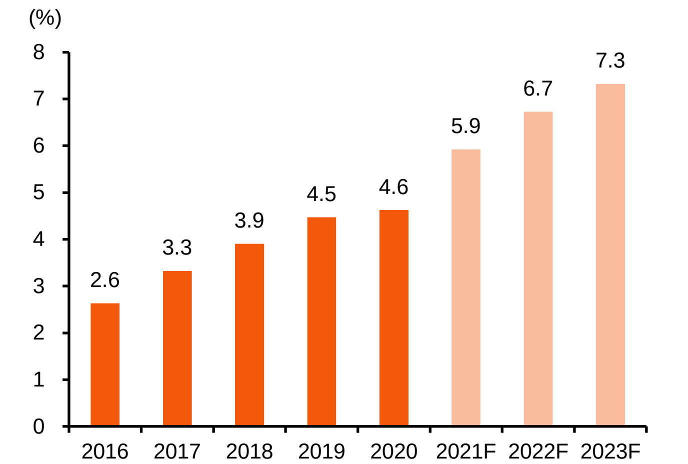
Sources: Company data, Thanachart estimates

Ex 2: Sales Growth



Sources: Company data, Thanachart estimates

Ex 3: Expanding EBIT Margin



Sources: Company data, Thanachart estimates

Ex 4: Our Assumptions

	2019	2020	2021F	2022F	2023F
#Stores	787	911	1,040	1,190	1,300
Sales growth from incremental stores (%)	8	5	14	9	4
Same-store-sales growth (%)	12	7	15	13	9
Total sales growth	20	12	29	22	12
Gross margin (%)	12.6	12.9	13.0	13.3	13.5
Sg&a to sales(%)	8.8	8.0	7.0	6.6	6.2
EBIT Margin (%)	4.5	4.6	5.9	6.7	7.3

Sources: Company data, Thanachart estimates

Industry growth and market-share gains are sources of sales growth

We expect the sources of COM7's growth to come from both industry growth and its own market-share gains, with the latter being the main driver. We discuss this further below.

Ex 5: Assumption Revisions

	2019	2020	2021F	2022F	2023F
Sales (Bt m)					
New	33,362	37,306	48,256	59,017	66,271
Old			45,291	55,610	62,605
Change (%)			*6.5*	*6.1*	*5.9*
Same-store-sales growth (%)					
New	7.0	7.0	15	13	10
Old			12	12	10
# stores					
New	787	991	1,040	1,190	1,300
Old			1,030	1,150	1,260
Gross margin (%)					
New	13.2	12.6	13.0	13.3	13.5
Old			12.9	13.2	13.6
Change (pp)			*0.0*	*0.1*	*(0.0)*
SG&A/sales (%)					
New	8.8	8.0	7.0	6.6	6.2
Old			7.5	7.0	6.6
Change (pp)			*(0.5)*	*(0.4)*	*(0.3)*
Normalized profit (Bt m)					
New	1,217	1,449	2,425	3,341	4,083
Old			2,091	2,920	3,685
Change (%)			*16.0*	*14.4*	*10.8*

Sources: Company data, Thanachart estimates

Ex 6: 12-month DCF-based TP Calculation Using A Base Year Of 2022F

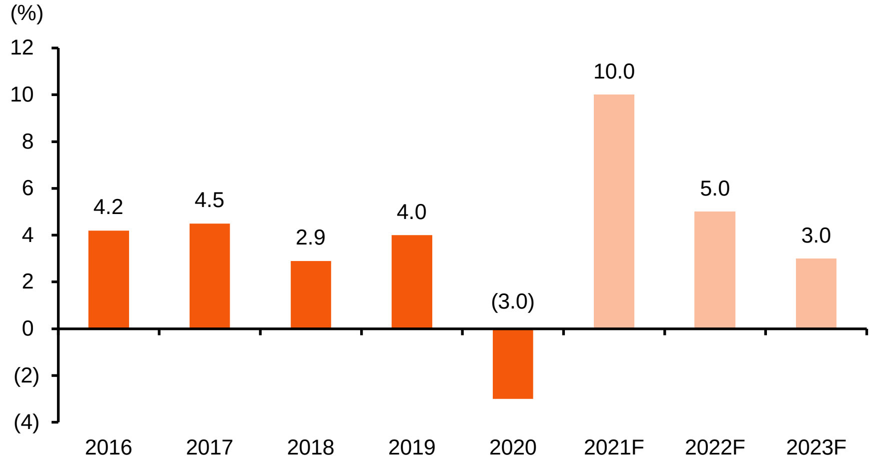
(Bt m)		2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA		4,223	5,147	6,252	7,405	8,544	9,805	11,166	12,677	14,356	16,219	18,289	—
Free cash flow		2,643	3,565	4,330	5,343	6,450	7,434	8,494	9,674	10,985	12,440	13,989	187,758
PV of free cash flow		2,636	3,010	3,359	3,809	4,151	4,380	4,582	4,778	4,968	5,151	5,101	68,466
Risk-free rate (%)	3.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	9.6												
Terminal growth (%)	2.0												
Enterprise value - add investments	114,392												
Net debt (2021F)	265												
Minority interest	19												
Equity value	114,109												
# of shares	1,200												
Target price/share (Bt)	**95**												

Sources: Company data, Thanachart estimates

Despite decent growth, 2021 was still a low-base year

Industry growth: We expect Thailand's hardware-based IT industry to grow by 5% in 2022F. We recap that the industry shrank by 3% in 2020 amid the COVID lockdown before growing by 10% in 2021F. Despite being a decent year thanks to strong demand for IT products like computers, tablets and smart phones amid the work-/study-from-home trend, we regard 2021 as a low-base year on the back of the 1.5-month shopping mall lockdown and product shortages. This year, we expect the low-base effect and accelerated launch of 5G phones and smart gadgets to drive industry growth. We also believe that COVID has structurally shifted people faster into the digital world. This year, many more consumer and home-appliance products with 5G functions should be launched as well.

Ex 7: Overall IT Industry Growth In Thailand



Sources: Company data, Thanachart estimates

Market-share gains will likely be COM7's main growth driver

Market-share gains: This is the reason why we forecast COM7's sales to be much higher than the industry's growth. We estimate COM7s market share in the mobile and IT markets to have risen from 15% in 2019 to 21% in 2021. In those years, its same-store sales (SSS) averaged 11% p.a. and store expansion averaged 11% p.a. Note that COM7 is the largest mobile and IT store chain in Thailand.

The mobile industry's value breakdown is 35% retail store chains, where COM7 is positioned, 30% telecom operator-owned stores, and 35% independent stores. The market is very fragmented with many small and independent players which implies much more room for COM7 to gain further market share, in our view. As for the IT market, there is no solid breakdown of market value information. But note that of the retail store chain players, only COM7 sells both mobile and IT products at its stores. This offers a key scale advantage and is also a good draw for traffic to its stores.

We estimate COM7's market share to rise from 21% in 2021 to 24/26/28% in 2022-24F and for this to come from both SSS growth of 13/10/9% and 9/3/4% store expansion (see Exhibit 4). Our long-term growth numbers reflect our assumption for COM7's market share to rise to 30% in 2025F which is the level the company believes it can achieve. We don't regard this assumption as too aggressive. Exhibit 8 shows that COM7's net margin has improved over the years while those of its peers have fallen. This implies COM7's strength has increased as it gained market share while those of others have fallen. The main mechanism in our view is that due to the industry's razor-thin net margin and relatively high fixed cost (e.g., rental and labour expenses), the more market share COM7 gains, the more scale benefits it enjoys and thus rising margins. Also, as COM7 requires relatively low capex to grow (e.g., low cost to open new stores and to renovate to grow via same-store-sale), its profitability ratio such as ROE rises with higher sales (Exhibit 12). We discuss COM7's market share gain factors below.

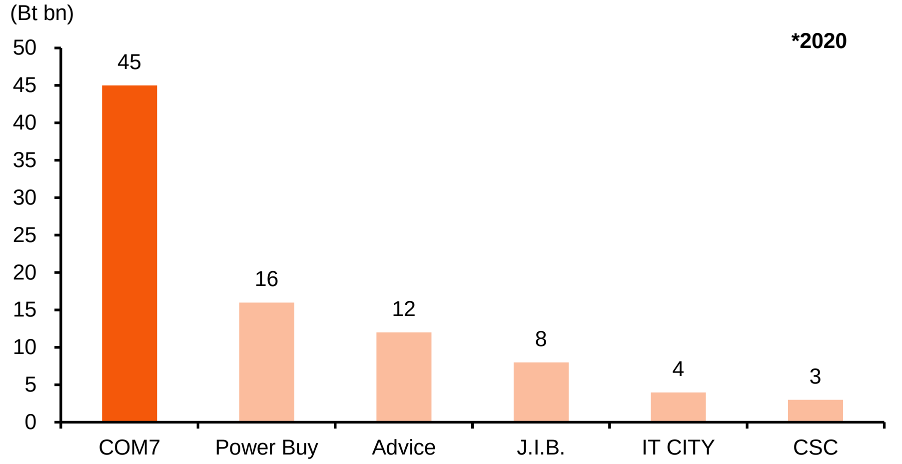
Ex 8: COM7's Net Margin Vs. Competitors'

(%)	2015	2016	2017	2018	2019	2020
COM7	**1.8**	**2.4**	**2.7**	**3.2**	**3.6**	**3.9**
Average main peers' net margin	**0.8**	**0.6**	**1.0**	**1.7**	**1.0**	**1.4**
− Advice	0.6	1.0	0.9	1.1	1.2	1.2
− CSC	0.1	na	1.3	2.2	0.7	na
− IT CITY	na	0.5	0.3	1.1	0.6	na
− Jaymart	-	-	-	3.8	na	1.3
− J.I.B.	0.3	0.2	0.3	0.4	0.7	0.8
− Power Buy	2.3	0.6	2.3	1.3	1.8	2.3

Sources: Company data, BOL

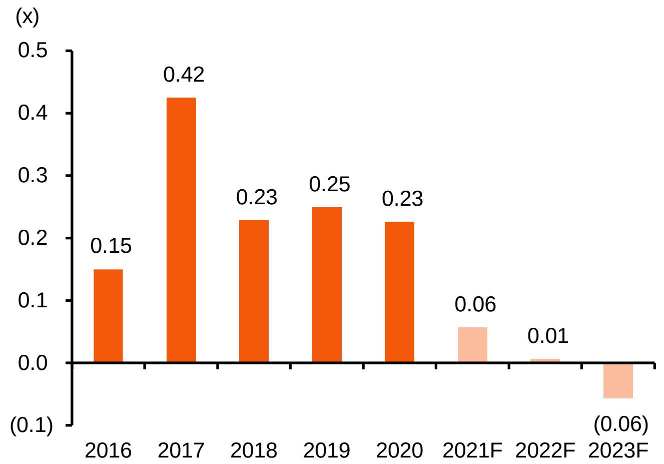
Note: *na implies loss making

Ex 9: A Large Sales Gap



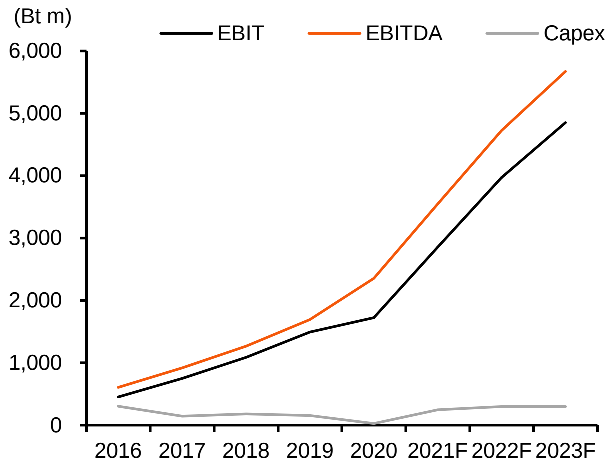
Sources: Company data, BOL

Ex 10: Net D/E Ratio



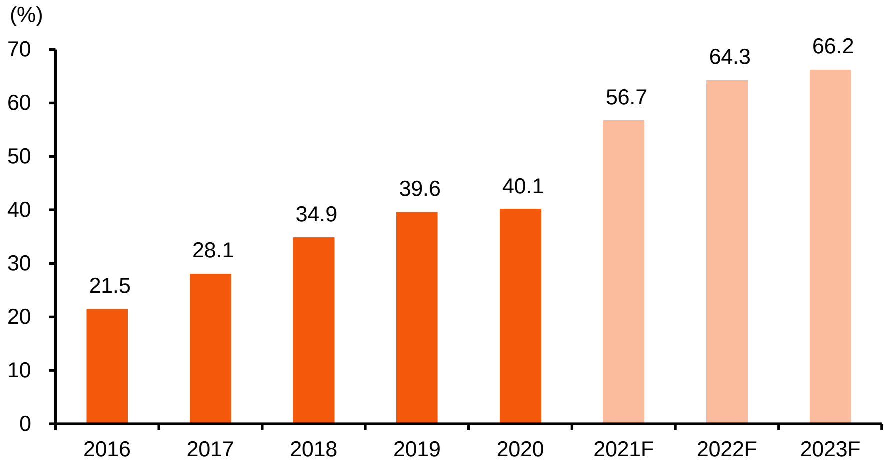
Sources: Company data, Thanachart estimates

Ex 11: EBITDA, EBIT And Capex



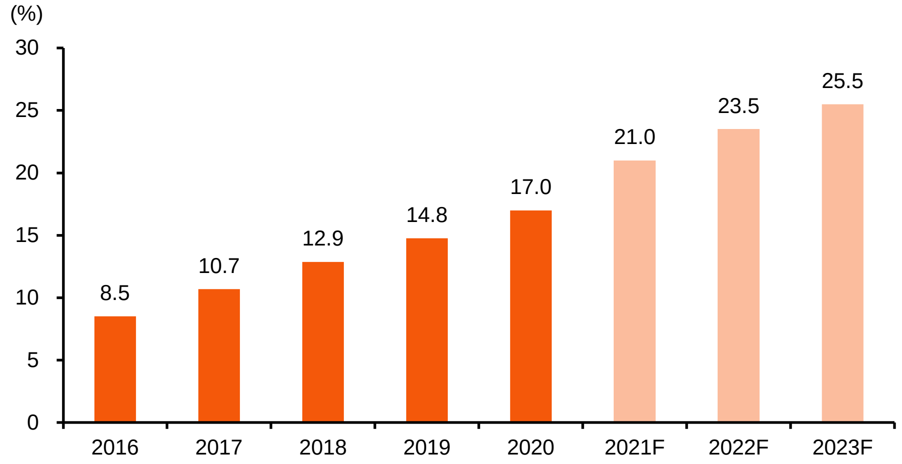
Sources: Company data, Thanachart estimates

Ex 12: Rising ROE



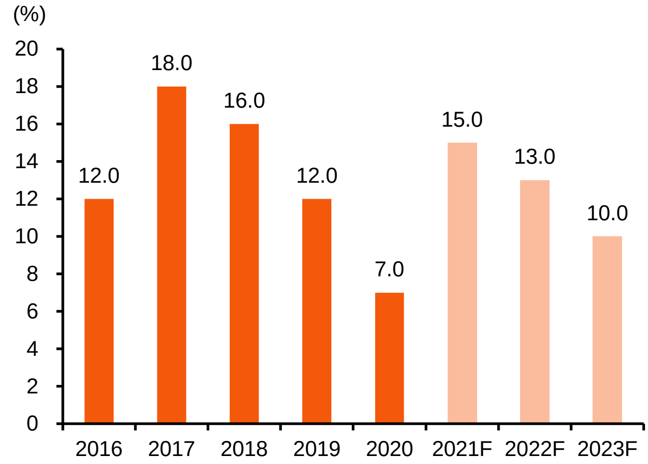
Sources: Company data, Thanachart estimates

Ex 13: COM7's Market Share



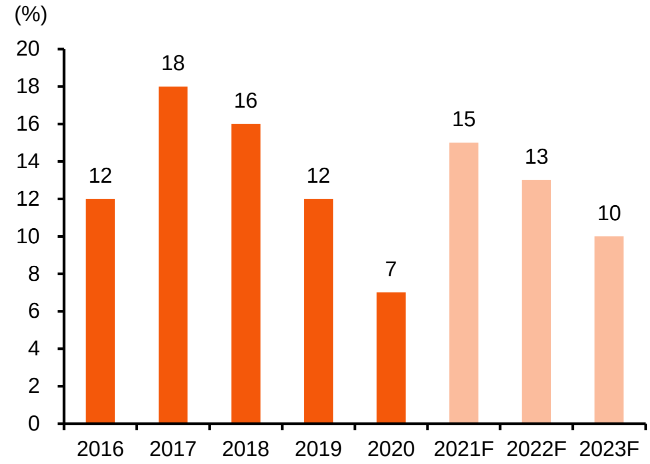
Sources: Company data, Thanachart estimates

Ex 14: Same-Store-Sales Growth



Sources: Company data, Thanachart estimates

Ex 15: New Store Growth



Sources: Company data, Thanachart estimates

Market share gains factors

COM7's market-share drivers are discussed below:

SSS growth factors

_Same-store sales (SSS) growth_*:* As being the only store chain that has a big-space store format to sell both mobile and IT products, COM7 naturally attracts more traffic. COM7's average size of its main stores in malls is 150 sqm, or 30-50% larger than those of most of its competitors which can accommodate only either mobile or IT products in one shop. COM7's success has proven that size matters since with bigger store sizes, it has a greater variety of mobile, tablets and computers for its clients to choose from while it also has space for trending new Internet of Thing (IoT)-based products. COM7's shops, based on our experience, are also more pleasant and roomy as the stores are very big so they are not packed with products like those of other retailers and therefore customers tend to feel more comfortable. We believe this factor has supported its SSS over the years.

We believe the reason its competitors can't replicate COM7's strategy now is because the industry has finished its high growth cycle and is heading more toward a saturation point which makes any new capex cycles for smaller rivals unjustified. For peers to change format to COM7's they would have to more than double the size of each store with significant capital required to support higher inventory value. And as we discuss below this would be very risky because the IT retail industry has a razor-thin net margin by nature. Please refer to Exhibit 8, which shows that COM7's net margin has improved over time while those of its peers have declined.

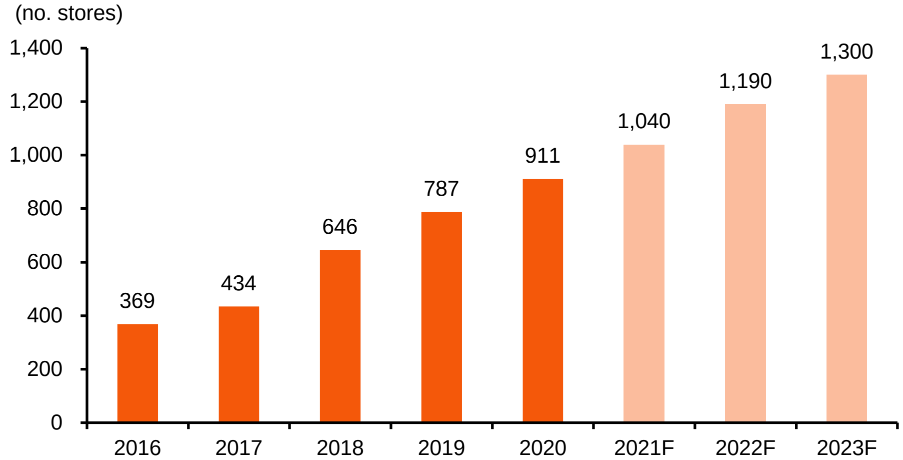
This year, aside from planning to add in more in-demand IoT-based products, COM7 is also planning to introduce exclusive products items which would be co-branded with brands owners such as Xiaomi and Oppo. The plan is to choose exclusive or limited-edition items to be sold only in COM7's shops. They generate far higher margins than COM7's main non-exclusive items.

Store expansion factors

Store expansion: COM7 as of 3Q21 had 958.stores. Of those, 40-plus were in the standalone format, 802 in shopping malls and 109 franchised. For its main-brand shops which are mainly in shopping malls, COM7 believes there is still a room to increase penetration although it already has a presence in more than 70% of leading shopping malls such as Central. Thanks to its multiple brand shops, COM7 believes it can have more than one shop in each mall. COM7 has proven that opening multiple brand shops in the same mall doesn't cannibalize its other shops as they focus on different client segments (see Exhibit 17). In fact, COM7 can also has two same-brand shops in some large malls without cannibalization.

COM7 expects to open at least 150 new stores this year, excluding those under the franchise model. COM7 expects half of the new outlets to be in its new, standalone format, which the company expects be the main growth driver.

Ex 16: Store Openings



Sources: Company data, Thanachart estimates

Ex 17: COM7's Shop Brands

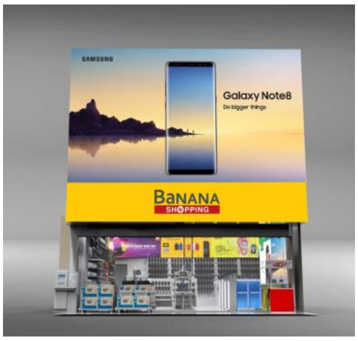
Banana

Studio7

BKK

Kingkong

Franchise



Xiaomi

Source: Company data

COM7's new standalone format

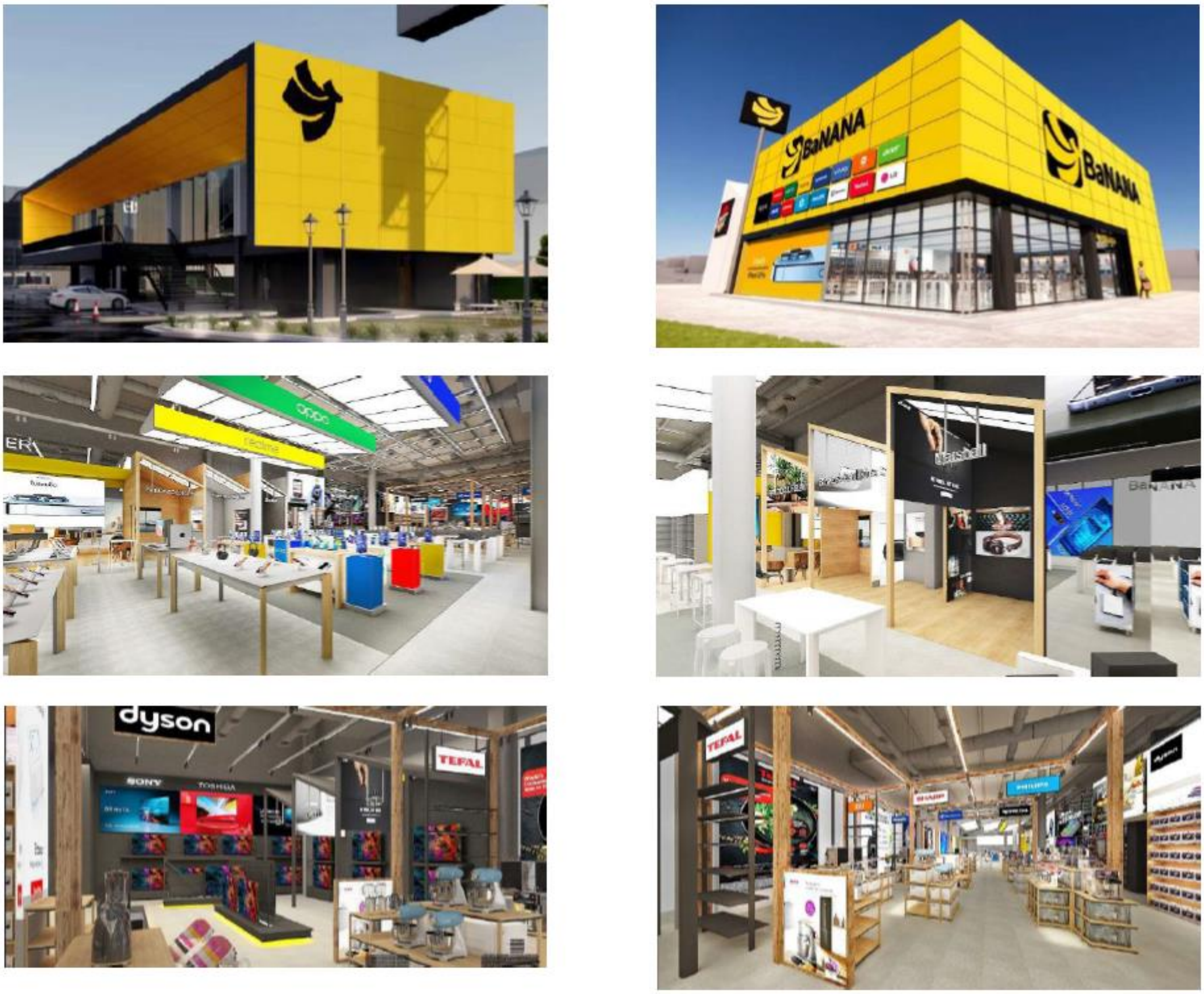
COM7 opened 30-plus standalone outlets last year to test the market and this proved successful as they managed to make profits in the first month of operation. The standalone stores have at least twice the area of its existing shops in malls at around 150 sqm. This new format is also intended to serve new product categories of IoT, or smart consumer and home appliances. These are large in size and need bigger stores to be displayed. The standalones still make lower profit per store than those in malls but COM7 sees opportunities for them to generate higher profits when sales volume increases as a standalone shop's rental expense is at least half of that of a shop in a mall. Looking forward, COM7 plans to open larger standalone stores to accommodate more products.

Will the standalone shops cannibalize clients from it malls shops? We don't think so. COM7 plans to open the standalone outlets in areas lacking shopping malls. It did, however, try to open some standalones close to shopping malls where it has its shops in. There was some cannibalization but the overall results still implied net positive growth in new customers. For instance, the new standalone shops lured some customers from its mall shops but the increase in new customers visiting the standalones more than offset those. Also, COM7 believes clients coming to standalone outlets spend more money than at those in malls as there are more products to choose from.

Ex 18: Existing Standalone Format

Source: Company data

Ex 19: New Standalone Format



Source: Company data

Contracted stores are another new driver

Another new store format is the contracted model. COM7 has since late last year secured contracts to sell its products under its shop brand Banana IT at BigC Supercenter hypermarkets and in Index living malls. This is not COM7's shop model but space in the hypermarkets. COM7 so far has a presence in 50 BigC branches (out of BigC's total of 152 branches) and around15 in Index malls. If the business works well, COMT is likely to expand to other branches. COM7 also plans to sell its products in Lotus, another one of Thailand's leading supermarket chains. Note that the overall IT product-trading business under the department store and hypermarket model hasn't done well over the years given department stores' lack of experience and focus in IT products. However, with COM7's largest, well-recognized Banana IT shops and its expertise over the years in having built up its business to have the largest market share in the IT products industry, we expect it to also succeed with this business model. Another good thing for COM7 is that it still has low exposure to this sales format at hypermarkets.

Ex 20: An Example of A Contracted Store

Source: Company data

Valuation Comparison

Ex 21: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	EV/EBITDA 21F (x)	EV/EBITDA 22F (x)	Div yield 21F (%)	Div yield 22F (%)
Marks & Spencer Group	MKS LN	UK	na	(6.4)	10.1	11.2	1.7	1.6	5.8	6.0	0.3	3.7
J Sainsbury	SBRY LN	UK	110.2	1.9	12.6	12.4	1.0	0.9	5.5	5.4	4.2	4.2
Tesco	TSCO LN	UK	78.4	2.5	13.7	13.4	1.7	1.6	7.3	7.2	3.6	7.7
Carrefour SA	CA FP	France	13.1	14.8	12.6	11.0	1.4	1.3	6.7	6.3	3.1	3.5
Casino Guichard	CO FP	France	(9.1)	21.6	11.7	9.6	0.8	0.7	7.3	7.0	3.9	4.1
Aeon	8267 JP	Japan	na	39.4	86.5	62.0	2.2	2.2	8.7	8.0	1.4	1.5
Lotte Shopping	023530 KS	S. Korea	na	(43.4)	10.7	17.1	0.2	0.2	10.3	8.2	3.7	3.8
Shinsegae	004170 KS	S. Korea	na	19.3	7.2	6.1	0.6	0.5	6.9	6.5	0.9	0.9
Amore Pacific Group	002790 KS	S. Korea	na	(9.4)	17.5	17.8	1.1	1.1	5.9	5.1	1.0	1.1
Wal-Mart Stores	WMT US	USA	16.9	5.2	21.9	20.8	4.6	4.3	11.5	11.1	1.6	1.6
Home Depot Inc	HD US	USA	29.3	4.3	22.5	21.5	na	na	15.6	15.2	1.9	2.0
Berli Jucker *	BJC TB	Thailand	(0.5)	25.7	31.5	25.1	1.1	1.0	13.3	12.9	1.6	2.0
COM7 *	COM7 TB	Thailand	67.3	37.8	37.5	27.2	19.3	16.0	25.7	19.2	2.1	3.0
CP All*	CPALL TB	Thailand	(37.9)	84.8	57.4	31.1	5.3	4.8	16.9	14.3	0.9	1.6
Central Pattana *	CPN TB	Thailand	(49.9)	163.1	90.2	34.3	3.2	3.0	22.3	15.6	0.9	1.4
Central Retail Corp. Pcl *	CRC TB	Thailand	na	na	na	47.1	4.0	3.7	14.4	10.4	0.0	0.8
Siam Global House *	GLOBAL TB	Thailand	64.0	18.0	28.4	24.1	4.8	4.2	22.4	19.0	1.4	1.7
Home Product*	HMPRO TB	Thailand	4.1	22.8	34.3	28.0	8.4	7.7	18.4	15.8	2.3	2.9
Siam Makro *	MAKRO TB	Thailand	(5.0)	16.4	34.7	29.8	1.4	1.4	23.3	36.1	1.2	2.7
MC Group *	MC TB	Thailand	0.4	(11.5)	16.1	18.2	2.0	2.0	7.1	7.6	6.1	5.6
Average			**20.1**	**21.4**	**29.3**	**23.4**	**3.4**	**3.1**	**12.8**	**11.8**	**2.1**	**2.8**

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth

** MC's fiscal year ends in June.

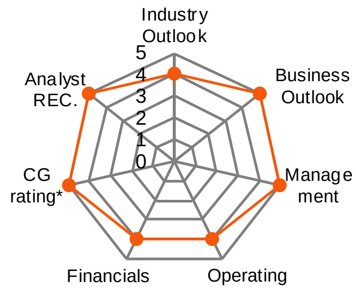
Based on 24-Jan-2022 closing prices

COMPANY DESCRIPTION

Com7 Pcl (COM7) runs a chain of retail outlets that imports, retails, and distributes computers and IT-related products in Thailand. The company offers products such as smartphones, tablets, notebooks and computers. COM7 also offers computer components, such as CPUs, hard drives, and networks and accessories.

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

- Strong distribution channels nationwide
- More products and brands
- Diversification into higher-margin businesses
- Leverage effect from better utilization of assets
- Apple's largest distributor in Thailand

W — Weakness

- Low-margin retail business
- Risk from obsolete inventory

O — Opportunity

- 4G to 5G migration
- Improving economy
- Increasing speed and bandwidth usage
- New development technology

T — Threat

- Fierce competition in handsets and IT-related products
- Fast-moving technological advances
- Rising competition from new entrants

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	86.64	95.00	10%
Net profit 21F (Bt m)	2,347	2,425	3%
Net profit 22F (Bt m)	2,918	3,341	14%
Consensus REC	**BUY: 9**	**HOLD: 1**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F earnings and TP are relatively similar to the Bloomberg consensus numbers. We still regard the Street's and our numbers as conservative as they look to have yet to factor in growth from COM7's potential new businesses.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- More competition in the existing retail business would be the key downside risk to our call.
- A worse-than-expected economy and lower IT-related demand would represent secondary downside risks.

Source: Thanachart

Strong sales growth despite the COVID crisis

Multi-year strong earnings growth, based on our estimates

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	33,362	37,306	48,256	59,017	66,271
Cost of sales	28,946	32,596	41,999	51,148	57,304
Gross profit	**4,416**	**4,710**	**6,257**	**7,869**	**8,967**
% gross margin	13.2%	12.6%	13.0%	13.3%	13.5%
Selling & administration expenses	2,925	2,986	3,399	3,899	4,113
Operating profit	**1,491**	**1,724**	**2,858**	**3,970**	**4,854**
% operating margin	4.5%	4.6%	5.9%	6.7%	7.3%
Depreciation & amortization	200	630	693	755	819
EBITDA	**1,691**	**2,354**	**3,551**	**4,725**	**5,673**
% EBITDA margin	5.1%	6.3%	7.4%	8.0%	8.6%
Non-operating income	28	47	61	74	83
Non-operating expenses	0	0	0	0	0
Interest expense	(52)	(53)	(53)	(55)	(38)
Pre-tax profit	**1,467**	**1,718**	**2,865**	**3,989**	**4,899**
Income tax	289	328	536	746	916
After-tax profit	**1,178**	**1,390**	**2,329**	**3,243**	**3,983**
% net margin	3.5%	3.7%	4.8%	5.5%	6.0%
Shares in affiliates' Earnings	39	64	100	102	104
Minority interests	1	(4)	(4)	(4)	(4)
Extraordinary items	(1)	41	0	0	0
NET PROFIT	**1,216**	**1,491**	**2,425**	**3,341**	**4,083**
Normalized profit	**1,217**	**1,449**	**2,425**	**3,341**	**4,083**
EPS (Bt)	1.0	1.2	2.0	2.8	3.4
Normalized EPS (Bt)	1.0	1.2	2.0	2.8	3.4

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	7,217	5,861	7,011	8,554	9,045
Cash & cash equivalent	1,304	1,121	1,000	1,400	1,200
Account receivables	926	864	1,118	1,367	1,535
Inventories	4,819	3,664	4,722	5,610	6,128
Others	167	211	172	177	182
Investments & loans	513	675	837	999	1,161
Net fixed assets	645	506	559	626	655
Other assets	785	2,165	2,053	1,911	1,660
Total assets	**9,160**	**9,207**	**10,460**	**12,090**	**12,520**
LIABILITIES:					
Current liabilities:	5,629	4,430	5,096	5,628	5,307
Account payables	3,349	2,464	3,175	3,937	4,411
Bank overdraft & ST loans	2,139	1,283	815	925	530
Current LT debt	0	0	0	0	0
Others current liabilities	142	683	1,105	766	366
Total LT debt	**5**	**708**	**450**	**510**	**292**
Others LT liabilities	149	198	190	233	261
Total liabilities	**5,784**	**5,336**	**5,736**	**6,371**	**5,860**
Minority interest	2	19	23	23	27
Preferreds shares	0	0	0	0	0
Paid-up capital	300	300	300	300	300
Share premium	899	899	899	899	899
Warrants	0	0	0	0	0
Surplus	0	(15)	(15)	(15)	(15)
Retained earnings	**2,175**	**2,668**	**3,517**	**4,512**	**5,449**
Shareholders' equity	3,374	3,852	4,701	5,696	6,633
Liabilities & equity	**9,160**	**9,207**	**10,460**	**12,090**	**12,520**

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	1,467	1,718	2,865	3,989	4,899
Tax paid	(266)	(276)	(512)	(688)	(894)
Depreciation & amortization	200	630	693	755	819
Chg In working capital	(567)	332	(600)	(376)	(212)
Chg In other CA & CL / minorities	1	492	494	(305)	(323)
Cash flow from operations	**835**	**2,896**	**2,940**	**3,375**	**4,289**
Capex	(155)	(28)	(250)	(300)	(300)
Right of use	0	(1,718)	(100)	(100)	(100)
ST loans & investments	(53)	36	44	0	0
LT loans & investments	(161)	(162)	(162)	(162)	(162)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(60)	(46)	(292)	(238)	(168)
Cash flow from investments	**(429)**	**(1,917)**	**(760)**	**(800)**	**(729)**
Debt financing	452	(149)	(725)	170	(613)
Capital increase	0	0	0	0	0
Dividends paid	(600)	(960)	(1,576)	(2,346)	(3,146)
Warrants & other surplus	(13)	(52)	0	0	0
Cash flow from financing	**(161)**	**(1,161)**	**(2,301)**	**(2,175)**	**(3,759)**
Free cash flow	**680**	**2,868**	**2,690**	**3,075**	**3,989**

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	74.7	62.7	37.5	27.2	22.3
Normalized PE - at target price (x)	93.7	78.7	47.0	34.1	27.9
PE (x)	74.7	61.0	37.5	27.2	22.3
PE - at target price (x)	93.7	76.5	47.0	34.1	27.9
EV/EBITDA (x)	54.2	39.0	25.7	19.2	16.0
EV/EBITDA - at target price (x)	67.9	48.8	32.2	24.1	20.0
P/BV (x)	26.9	23.6	19.3	16.0	13.7
P/BV - at target price (x)	33.8	29.6	24.2	20.0	17.2
P/CFO (x)	108.9	31.4	30.9	26.9	21.2
Price/sales (x)	2.7	2.4	1.9	1.5	1.4
Dividend yield (%)	1.1	1.3	2.1	3.0	3.9
FCF Yield (%)	0.7	3.2	3.0	3.4	4.4
(Bt)					
Normalized EPS	1.0	1.2	2.0	2.8	3.4
EPS	1.0	1.2	2.0	2.8	3.4
DPS	0.8	1.0	1.6	2.3	3.0
BV/share	2.8	3.2	3.9	4.7	5.5
CFO/share	0.7	2.4	2.5	2.8	3.6
FCF/share	0.6	2.4	2.2	2.6	3.3

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	19.5	11.8	29.4	22.3	12.3
Net profit (%)	36.5	22.6	62.7	37.8	22.2
EPS (%)	36.5	22.6	62.7	37.8	22.2
Normalized profit (%)	37.8	19.1	67.3	37.8	22.2
Normalized EPS (%)	37.8	19.1	67.3	37.8	22.2
Dividend payout ratio (%)	78.9	80.5	80.5	82.0	87.0
Operating performance					
Gross margin (%)	13.2	12.6	13.0	13.3	13.5
Operating margin (%)	4.5	4.6	5.9	6.7	7.3
EBITDA margin (%)	5.1	6.3	7.4	8.0	8.6
Net margin (%)	3.5	3.7	4.8	5.5	6.0
D/E (incl. minor) (x)	0.6	0.5	0.3	0.3	0.1
Net D/E (incl. minor) (x)	0.2	0.2	0.1	0.0	(0.1)
Interest coverage - EBIT (x)	28.4	32.4	53.8	72.1	128.2
Interest coverage - EBITDA (x)	32.2	44.3	66.9	85.9	149.8
ROA - using norm profit (%)	14.5	15.8	24.7	29.6	33.2
ROE - using norm profit (%)	39.6	40.1	56.7	64.3	66.2
DuPont					
ROE - using after tax profit (%)	38.3	38.5	54.5	62.4	64.6
- asset turnover (x)	4.0	4.1	4.9	5.2	5.4
- operating margin (%)	4.6	4.7	6.0	6.9	7.4
- leverage (x)	2.7	2.5	2.3	2.2	2.0
- interest burden (%)	96.5	97.0	98.2	98.6	99.2
- tax burden (%)	80.3	80.9	81.3	81.3	81.3
WACC (%)	8.8	8.8	8.8	8.8	8.8
ROIC (%)	35.2	33.1	49.2	65.0	68.8
NOPAT (Bt m)	1,198	1,395	2,323	3,228	3,946
invested capital (Bt m)	4,213	4,721	4,966	5,732	6,255

Sources: Company data, Thanachart estimates

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