BUY (Unchanged)

Change in Numbers

TP: Bt 13.00 (From: Bt 11.00)

Upside : 34.7%

14 FEBRUARY 2022

Small Cap Research

MC GROUP Pcl (MC TB)

Back to pre-COVID level

MC has turned around its business faster than we'd expected. Successes are growing online sales, good cost management and its new MC Outlet store format. We raise our earnings by 24/17/18% in FY22-24F and see MC as an inexpensive, turnaround stock with hefty net cash trading at 12.5x FY23F PE with an 8.0% yield. Reaffirm BUY.



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Boosting our earnings

MC reported stronger earnings than we'd anticipated earlier of Bt231m in 2QFY22 (October-December 2021), up 2% y-y and 879% q-q. This surpassed the pre-COVID level because of higher net margin. Sales recovered strongly, though were still lower than in the pre-COVID period, supported by growing online sales, more non-denim sales, falling discounts and the success of its new MC Outlet stores. Net margin improved from its product mix moving toward sales from online, non-denim products and MC Outlets and cost controls. We raise our earnings by 24/17/18% in FY22-24F and our FY23F (year ending June 2023F) DCF-based 12-month TP by 18% to Bt13 from Bt11. We reaffirm our BUY call on shares of MC seeing it as an inexpensive turnaround stock at 12.5x FY23F PE and, with its net cash position and a 100% payout ratio, high dividend yields of 6.4%/8.0% in FY22-23F.

New growth formula

MC's earnings turnaround has been driven by new sets of growth drivers, both via gross margin and net margin (Exhibits 3-4). Higher gross margin has been helped by falling price discounts from its traditional sales channels and more non-denim product sales. Net margin has increased on the back of growing sales from low-occupancy cost channels, online and MC Outlets. We project online sales at 12.0/11.2/11.4% of total sales in FY22-24F vs. 7.2% three years ago. MC launched five MC Outlets over the past three months. As a result of their success, MC plans to open 11 more and convert all of its 54 mcmc shops located at gas stations into MC Outlets by June this year. By then, MC would have 70 MC Outlets, making up 11% of 638 stores. Exhibit 6 shows its sales channel breakdown.

Higher margin on new sales mix

Most of MC's new growth drivers are higher margin and we project its net margin to rise to 16.7/17.0/18.4% in FY22-24F from 14.4% in the pre-COVID period. We estimate that non-denim products have around a 6pp higher EBIT margin than denim products. Online sales have a 14pp higher EBIT margin than sales from traditional stores. Meanwhile, MC Outlets have a 10pp higher margin than mcmc shops.

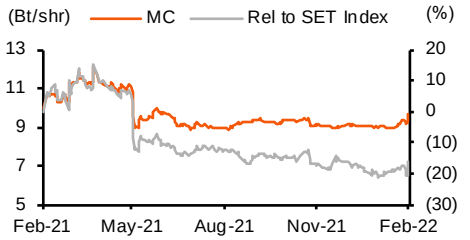
A further inventory reduction

MC's high inventory has become less of a concern to us, falling from Bt1.6bn in FY19 to Bt1.2bn in FY21 while the company targets Bt1bn in FY22F. Looking ahead, MC expects to manage its inventory better via MC Outlets, whose outlet nature should help clear old inventories. The company also has a "remake, reuse, redesign" strategy to resell some old inventories in normal MC stores.

COMPANY VALUATION

Y/E Jun (Bt m)	2021A	2022F	2023F	2024F
Sales	3,220	2,928	3,587	3,857
Net profit	446	488	610	708
Consensus NP	—	502	567	607
Diff frm cons (%)	—	*(2.6)*	*7.6*	*16.8*
Norm profit	446	488	610	708
Prev. Norm profit	—	394	521	599
Chg frm prev (%)	—	*23.8*	*17.2*	*18.1*
Norm EPS (Bt)	0.6	0.6	0.8	0.9
Norm EPS grw (%)	0.4	9.6	25.0	16.0
Norm PE (x)	17.1	15.7	12.5	10.8
EV/EBITDA (x)	6.3	5.7	5.0	4.5
P/BV (x)	2.1	2.1	2.1	2.1
Div yield (%)	5.8	6.4	8.0	9.3
ROE (%)	12.4	13.6	16.8	19.2
Net D/E (%)	(51.7)	(58.4)	(58.3)	(58.4)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 14-Feb-22 (Bt)	9.65
Market Cap (US$ m)	237.2
Listed Shares (m shares)	800.0
Free Float (%)	42.9
Avg Daily Turnover (US$ m)	0.3
12M Price H/L (Bt)	12.10/8.85
Sector	Commerce
Major Shareholder	Miss Sunee Seripanu (43.01%)

Sources: Bloomberg, Company data, Thanachart estimates

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Thanachart Securities

Boosting our earnings and TP

Strong 2QFY22 (October-December 2021) profit, surpassed pre-COVID level

MC GROUP Pcl (MC) reported a strong earnings turnaround in 2QFY22 (October-December 2021) with net profit of Bt231m, an increase of 2% y-y and 879% q-q, surpassing the pre-COVID profit level in 2QFY20 (October-December 2019) on the back of higher net margin although sales have yet to recover to the pre-COVID rate. Net margin improved from moving its product mix toward sales from online (2x EBIT margin for offline sales) and non-denim products (higher gross margin than denim sales), a lower price discount policy driving gross margin to a new record, and cost controls.

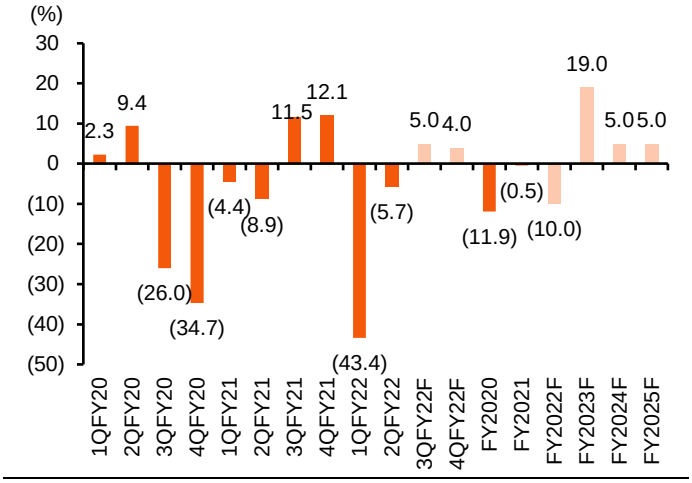
We raise our TP to Bt13 and reaffirm BUY

As MC looks to be en route to an upturn in profitability, we raise our SSSG and gross margin assumptions and lower our SG&A/sales projections. We boost our earnings by 24/17/18% in FY22-24F and our FY23F (year ending June 2023F) DCF-based 12-month TP by 18% to Bt13, from Bt11 previously. We reaffirm our BUY call on shares of MC.

Fast earnings recovery to pre-COVID level in FY23F

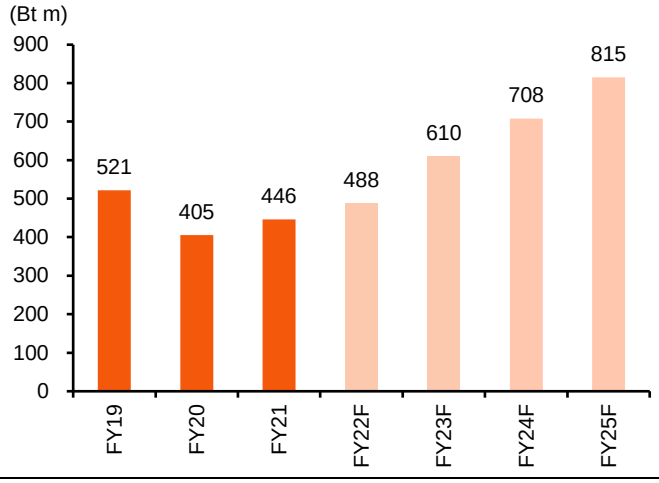
First, although MC is a fashion retailer selling jeans, apparel and accessories, we expect its earnings turnaround to the pre-COVID FY19 level to materialize swiftly in FY23F. SSS rebounded strongly q-q to -5.7% in 2QFY22 after the lockdown was lifted from September last year and sales momentum strengthened in January this year with 15% SSSG. We therefore expect to see solid 2HFY22F profit growth of 112% y-y to Bt234m and another 25% profit growth to reach Bt610m in FY23F.

Ex 1: Recovering SSSG



Sources: Company data, Thanachart estimates

Ex 2: Profit To Return To Pre-COVID Level In FY23F

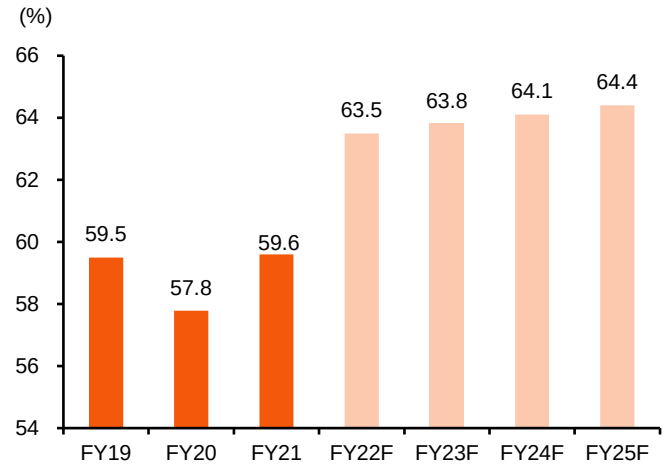


Sources: Company data, Thanachart estimates

Profitability boost from higher gross margin and net margin

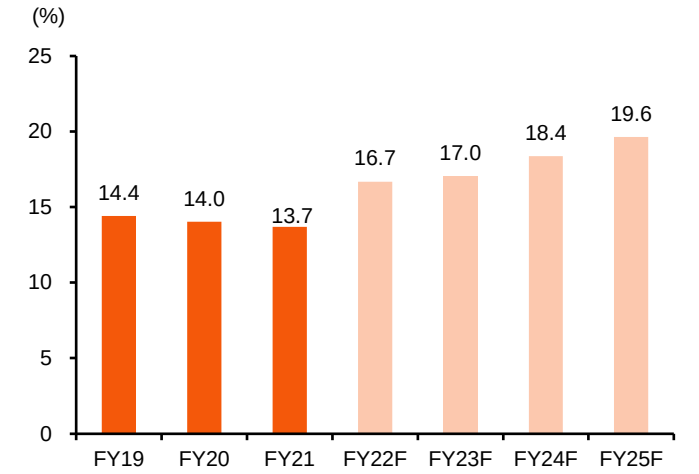
Second, we expect a new growth formula to raise profitability via higher gross margin and net margin driving up net margin expansion from 14.4% in FY19 to 16.7% in FY22F and 19.6% in FY25F, which would speed up EPS growth to a 19% three-year CAGR in FY22-25F.

Ex 3: Gross Margin



Sources: Company data, Thanachart estimates

Ex 4: Net Margin



Sources: Company data, Thanachart estimates

Inexpensive stock in our view with high yields

Third, we see MC as an inexpensive turnaround stock trading at 12.5x FY23F PE with high dividend yields of 6.4%/8.0% in FY22-23F and a net cash position with a 100% payout ratio.

MC has survived the COVID crisis well and it remains a company with no interest-bearing debt. Its board just approved a reduction in paid-up shares from 800m to 792m shares by writing off 8m repurchased shares, and this should increase return to shareholders. As its cash level has grown to Bt2bn, we believe the company is ready for new investments to find additional returns while dividend payments look highly secure with a 100% payout.

Ex 5: Key Assumption Changes

	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F
SSSG (%)												
- New	(10)	19	5	5	3	3	3	3	3	3	3	3
- Old	(13)	19	5	5	3	3	3	3	3	3	3	3
Gross margin (%)												
- New	63.5	63.8	64.1	64.4	64.7	65.0	65.3	65.5	65.7	65.9	66.1	66.3
- Old	60.6	60.8	61.1	61.4	61.7	62.0	62.3	62.5	62.7	62.9	63.1	63.3
Norm profit (Bt m)												
- New	488	610	708	815	912	993	1,107	1,205	1,329	1,459	1,549	1,644
- Old	394	521	599	693	778	855	958	1,022	1,134	1,255	1,337	1,422
Change (%)	*23.8*	*17.2*	*18.1*	*17.6*	*17.1*	*16.2*	*15.6*	*17.8*	*17.2*	*16.3*	*15.9*	*15.7*

Source: Thanachart estimates

New growth formula

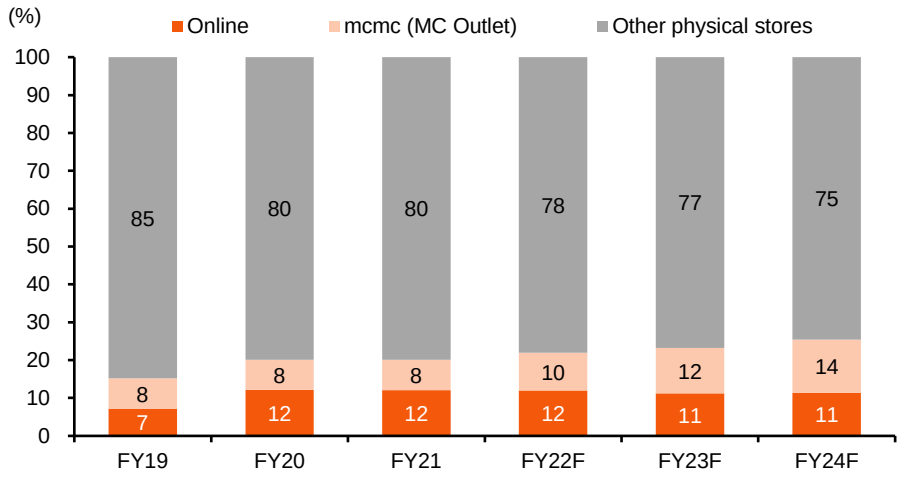
New sales channels; online and MC Outlets, look set to drive net margin

MC's swift earnings turnaround has been via new sets of growth drivers, mostly higher gross margin and net margin. 1HFY22 (July-December 2021) net margin increased to 17.8% vs 14.4% in FY19. Apart from expanding e-commerce sales channels through mcshop.com, LINE OA and marketplace platforms with EBIT margin doubling and its online sales mix rising from 7.2% in FY19 to 12.0/11.2/11.4% of total sales in FY22-24F, its product and sales strategy is moving towards more higher-margin non-denim goods (from 42% in FY20 to 50-55% in FY22F) and lower price discounts. Gross margin has been elevated to a new base of 64.0% in 1HFY22 from 58-60% in FY19-21 and the company expects it to be sustained at this level. We foresee its recent new store format, MC Outlet, with five of them launched in 2QFY22 at PTT gas stations with the lowest occupancy cost

among all sales channels to provide the next boost to net margin. So far, MC Outlets' sales/sqm have been 50-100% above average. With the company's plan to convert all of its 54 mcmc shops and open 11 more MC Outlets in 2HFY22F, this would bring total MC Outlets to 70 branches by FY22F, or 11% of its total 638 stores. We estimate net margin to rise from 14.4% in FY19 to 16.7% in FY22F and 19.6% in FY25F.

We estimate non-denim products to enjoy around a 6pp higher EBIT margin than denim products. Online sales have a 14pp higher EBIT margin than sales from traditional stores. Meanwhile, MC Outlets have a 10pp higher margin than mcmc shops.

Ex 6: Sales Channel Breakdown



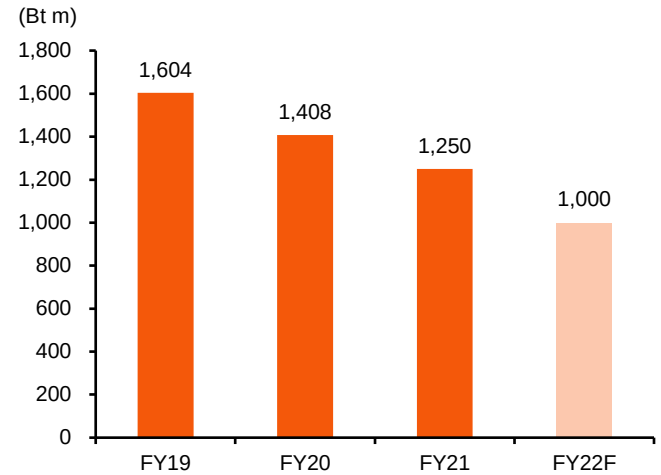
Sources: Company data, Thanachart estimates

A further inventory reduction

Targets inventory to fall to Bt1bn in FY22F

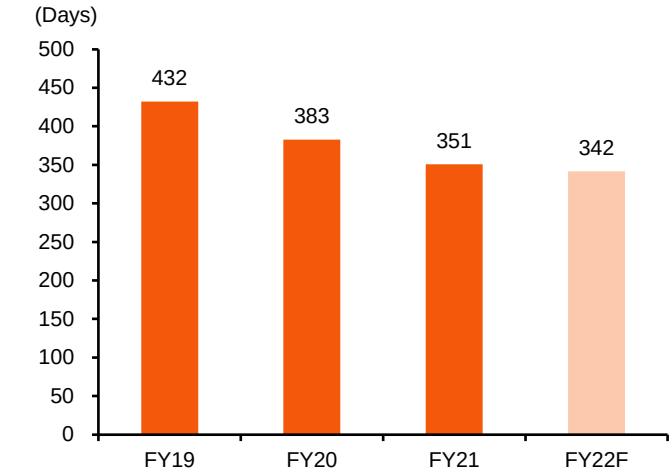
MC's high inventory level has become less of a concern to us. Inventory has decreased from Bt1,604m in FY19 to Bt1,408m in FY20 and Bt1,250m in FY21. Of Bt1,278m in outstanding inventory as of 2QFY22, 30% comprised old slow-moving stocks. With MC Outlets, the company expects to manage inventory better as the outlet nature should be able to help clear old inventories. Besides, it plans to "remake, reuse, redesign" one-third of old stocks to resell in normal MC stores, for example, by cutting jeans into denim shorts, and expanding the waist size from 24 inches to 26-27 inches. The target is to reduce inventory further to Bt1bn in FY22F.

Ex 7: Inventory Level



Sources: Company data, Thanachart estimates

Ex 8: Inventory Days



Sources: Company data, Thanachart estimates

Ex 9: 12-month DCF-based TP Calculation Using A Base Year Of FY23F

(Bt m)		FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	Terminal value
EBITDA		663	806	915	1,038	1,151	1,252	1,386	1,501	1,651	1,812	1,927	
Free cash flow		709	627	709	768	876	955	1,062	1,150	1,269	1,286	1,325	12,001
PV of free cash flow		0	625	556	534	539	509	499	476	464	414	376	2,863
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.3												
WACC (%)	12.9												
Terminal growth (%)	2.0												
Enterprise value	8,189												
Net debt (end 2022F)	(2,117)												
Minority interest	11												
Equity value	10,295												
# of shares (m)	792												
Equity value / share (Bt)	**13.00**												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 10: Valuation Comparison With Regional Peers

			EPS growth		PE		P/BV		EV/EBITDA		Div. yield	
Name	BBG code	Country	21F	22F	21F	22F	21F	22F	21F	22F	21F	22F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Marks & Spencer	MKS LN	Britain	(86.7)	na	79.5	8.3	1.0	1.4	8.5	5.5	0.0	0.3
J Sainsbury PLC	SBRY LN	Britain	(44.4)	107.3	22.8	11.0	0.8	0.8	6.2	5.3	5.8	4.8
Tesco	TSCO LN	Britain	(53.0)	111.8	26.4	12.5	1.3	1.6	9.2	7.3	3.0	3.9
Carrefour SA	CA FP	France	14.5	15.1	11.9	10.3	1.3	1.2	6.5	6.1	3.2	3.7
Casino Guichard	CO FP	France	0.3	35.4	12.1	8.9	0.7	0.6	7.3	6.9	3.3	3.4
L'Oreal SA	OR FP	France	22.4	14.2	39.8	34.9	6.9	7.1	24.8	22.9	1.3	1.5
Alimentation Couche	ATD/B CN	Canada	22.7	2.9	na	na	na	na	10.4	10.1	na	na
Aeon	8267 JP	Japan	na	na	na	88.8	2.2	2.3	10.2	8.8	1.4	1.4
Kao Corporation	4452 JP	Japan	(3.5)	5.2	20.3	19.3	2.6	2.5	9.9	9.5	2.8	2.9
Lion Corporation	4912 JP	Japan	(25.6)	0.5	20.0	19.9	1.8	1.7	8.9	8.5	1.6	1.7
Shiseido Co. Ltd	4911 JP	Japan	na	47.8	72.8	49.2	5.1	4.8	24.7	17.5	0.8	1.0
Lawson	2651 JP	Japan	(56.6)	105.4	54.7	26.6	1.8	1.8	4.4	3.9	3.1	3.1
Seven & I Holdings	3382 JP	Japan	(25.7)	35.9	31.9	23.5	1.9	1.8	11.4	9.1	1.7	1.8
Lotte Corp	004990 KS	South Korea	156.1	17.7	9.4	8.0	0.3	0.3	9.3	9.0	3.9	4.4
Shinsegae	004170 KS	South Korea	na	8.8	8.6	7.9	0.7	0.6	7.5	7.1	0.7	0.8
Amore Pacific Group	002790 KS	South Korea	na	(23.5)	17.1	22.4	1.2	1.2	5.8	5.6	1.1	1.3
Best Buy Co Inc	BBY US	USA	27.3	(6.0)	10.0	10.6	6.0	5.8	5.5	5.8	2.2	2.8
Wal-Mart Stores	WMT US	USA	14.8	5.1	21.1	20.1	4.5	4.1	11.1	10.7	1.6	1.6
Home Depot Inc	HD US	USA	29.5	4.3	22.5	21.6	496.2	na	15.6	15.2	1.7	1.9
Yonghui Superstores	601933 CH	China	na	na	na	75.7	2.2	2.2	156.8	24.7	1.5	0.8
Sa International	178 HK	Hong Kong	na	na	na	na	3.1	4.1	na	na	0.0	0.0
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	(43.7)	93.9	29.5	15.2	3.2	3.0	11.8	10.8	3.1	4.9
President Chain Store	2912 TT	Taiwan	(11.3)	25.3	29.9	23.9	8.0	7.4	11.7	11.4	3.0	3.7
7-Eleven Malaysia	SEM MK	Malaysia	(43.8)	125.9	53.7	23.8	19.3	17.7	9.8	8.3	1.8	3.4
Berli Jucker *	BJC TB	Thailand	(0.5)	25.7	33.3	26.5	1.1	1.1	13.6	13.2	1.5	1.9
COM7 *	COM7 TB	Thailand	67.3	37.8	36.4	26.4	18.8	15.5	24.9	18.7	2.2	3.1
CP All *	CPALL TB	Thailand	(37.9)	84.8	62.3	33.7	5.7	5.2	17.9	15.1	0.8	1.5
Central Pattana *	CPN TB	Thailand	(49.9)	163.1	95.3	36.2	3.4	3.2	23.4	16.3	0.9	1.4
Central Retail Corp. *	CRC TB	Thailand	na	na	na	53.4	4.5	4.2	15.9	11.4	0.0	0.7
Siam Global House *	GLOBAL TB	Thailand	64.0	18.0	28.3	24.0	4.7	4.2	22.3	18.9	1.4	1.7
Home Product*	HMPRO TB	Thailand	4.1	22.8	36.3	29.6	8.9	8.2	19.4	16.7	2.2	2.7
Siam Makro *	MAKRO TB	Thailand	(5.0)	16.4	37.2	31.9	1.5	1.5	24.7	38.5	1.1	2.5
Mc Group *	MC TB**	Thailand	9.6	25.0	15.7	12.5	2.1	2.1	5.7	5.0	6.4	8.0
Average			**(2.1)**	**40.2**	**33.5**	**26.3**	**19.5**	**3.8**	**17.4**	**12.0**	**2.0**	**2.5**

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth, ** MC's fiscal year ends in June. The figures shown in the table are for FY22F and FY23F

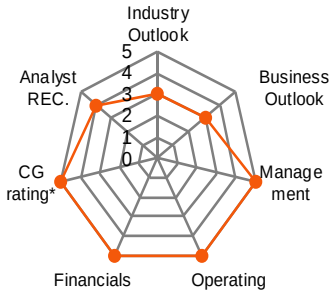
Based on 14 February 2022 closing price

COMPANY DESCRIPTION

MC GROUP PCL (MC) started its jeans business in Thailand under its own “Mc” brand in 1975. Over the years, MC has developed a wide range of products under the Mc, Mc Lady, the Blue Brothers premium jeanswear, Mc mini kidswear and U-P activewear brands and it distributes them mostly via free-standing shops and modern-trade outlets nationwide. It has also established an e-commerce platform, which has become a key earnings growth driver.

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

- Management has lots of experience in the jeans market in Thailand.
- It has the strong “Mc” brand with its own product designs.
- Good coverage of distribution channels nationwide.
- MC’s product quality is high with reasonable prices.
- With its large market share and in-house production, MC is very cost competitive.

W — Weakness

- MC has high stock and inventory days, but they are on a declining trend.
- High operating expenses, mainly personnel and rental cost comprising of 76% to total SG&A.

O — Opportunity

- Penetrating fast-growing ASEAN markets.
- Penetrating lifestyle markets.
- Expansion of product lines and customer group.
- Some small apparel manufacturers have exited the market.

T — Threat

- Competition from existing peers in the jeans market including Levi’s, Wrangler, Lee and other brands.
- Competition from new international brands such as H&M, UNIQLO and ZARA is on the rise.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	10.90	13.00	19%
Net profit 22F (Bt m)	502	488	-3%
Net profit 23F (Bt m)	567	610	8%
Consensus REC	**BUY: 3**	**HOLD: 2**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our FY23F net profits are 8% above the Bloomberg consensus numbers, which we attribute to us having higher SSSG, gross margin and net margin assumptions.
- Our DCF-based TP is therefore also above the Street’s.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If growth in people’s spending were to come in below our current expectations, this would be the key downside risk to our SSS growth assumptions.
- If MC’s omni-channel and international sales strategy is not as successful as planned, this would have a negative impact on the company’s earnings-growth prospects.
- Increased competition from existing and new rivals in the jeans and apparel markets would pressure MC’s sales volumes and prices.

Source: Thanachart

We expect FY22F profit to grow by 10% despite the lockdown

We estimate FY23F profit to surpass the pre-COVID FY19 level

Inventory is well under control, on our forecasts

INCOME STATEMENT

FY ending Jun (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	3,182	3,220	2,928	3,587	3,857
Cost of sales	1,344	1,301	1,069	1,298	1,385
Gross profit	**1,839**	**1,919**	**1,860**	**2,288**	**2,472**
% gross margin	57.8%	59.6%	63.5%	63.8%	64.1%
Selling & administration expenses	1,377	1,401	1,269	1,552	1,624
Operating profit	**461**	**518**	**591**	**736**	**848**
% operating margin	14.5%	16.1%	20.2%	20.5%	22.0%
Depreciation & amortization	99	400	377	370	357
EBITDA	**560**	**918**	**968**	**1,107**	**1,205**
% EBITDA margin	17.6%	28.5%	33.1%	30.9%	31.3%
Non-operating income	35	29	43	53	59
Non-operating expenses	0	0	0	0	0
Interest expense	(0)	(28)	(31)	(27)	(22)
Pre-tax profit	**496**	**519**	**603**	**763**	**885**
Income tax	50	78	115	153	177
After-tax profit	**446**	**441**	**488**	**610**	**708**
% net margin	14.0%	13.7%	16.7%	17.0%	18.4%
Shares in affiliates' Earnings	(1)	5	0	0	0
Minority interests	(2)	(0)	0	0	0
Extraordinary items	(39)	0	0	0	0
NET PROFIT	**405**	**446**	**488**	**610**	**708**
Normalized profit	**444**	**446**	**488**	**610**	**708**
EPS (Bt)	0.5	0.6	0.6	0.8	0.9
Normalized EPS (Bt)	0.6	0.6	0.6	0.8	0.9

BALANCE SHEET

FY ending Jun (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	3,192	3,324	3,349	3,463	3,547
Cash & cash equivalent	1,481	1,864	2,117	2,147	2,179
Account receivables	266	202	225	275	296
Inventories	1,408	1,250	1,000	1,032	1,062
Others	37	7	8	9	10
Investments & loans	25	25	25	25	25
Net fixed assets	404	343	316	275	244
Other assets	463	1,522	1,327	1,252	1,140
Total assets	**4,084**	**5,214**	**5,017**	**5,016**	**4,956**
LIABILITIES:					
Current liabilities:	412	721	373	446	473
Account payables	283	283	234	285	303
Bank overdraft & ST loans	0	0	0	(0)	(0)
Current LT debt	0	0	0	(0)	(0)
Others current liabilities	129	438	138	162	170
Total LT debt	**0**	**0**	**0**	**(0)**	**(0)**
Others LT liabilities	79	891	1,022	886	751
Total liabilities	**492**	**1,612**	**1,394**	**1,332**	**1,223**
Minority interest	11	11	11	11	11
Preferreds shares	0	0	0	0	0
Paid-up capital	400	400	396	396	396
Share premium	2,825	2,825	2,825	2,825	2,825
Warrants	0	0	0	0	0
Surplus	(90)	(90)	(90)	(90)	(90)
Retained earnings	**446**	**456**	**481**	**542**	**590**
Shareholders' equity	3,581	3,591	3,612	3,673	3,722
Liabilities & equity	**4,084**	**5,214**	**5,017**	**5,016**	**4,956**

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Jun (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	496	519	603	763	885
Tax paid	(59)	(78)	(115)	(152)	(177)
Depreciation & amortization	99	400	377	370	357
Chg In w orking capital	212	221	180	(32)	(32)
Chg In other CA & CL / minorities	(44)	372	(300)	21	7
Cash flow from operations	**705**	**1,433**	**745**	**970**	**1,040**
Capex	(86)	(13)	(45)	(29)	(35)
Right of use	0	(1,452)	(145)	(145)	(145)
ST loans & investments	0	0	0	0	0
LT loans & investments	22	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	6	850	166	(217)	(169)
Cash flow from investments	**(59)**	**(615)**	**(24)**	**(391)**	**(349)**
Debt financing	0	(0)	0	(0)	(0)
Capital increase	0	0	(4)	0	0
Dividends paid	(515)	(433)	(464)	(549)	(659)
Warrants & other surplus	6	(2)	0	0	0
Cash flow from financing	**(509)**	**(436)**	**(468)**	**(550)**	**(659)**
Free cash flow	**619**	**1,420**	**700**	**941**	**1,005**

VALUATION

FY ending Jun	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	17.2	17.1	15.7	12.5	10.8
Normalized PE - at target price (x)	23.2	23.1	21.1	16.9	14.5
PE (x)	18.9	17.1	15.7	12.5	10.8
PE - at target price (x)	25.4	23.1	21.1	16.9	14.5
EV/EBITDA (x)	11.0	6.3	5.7	5.0	4.5
EV/EBITDA - at target price (x)	15.7	9.2	8.5	7.4	6.7
P/BV (x)	2.1	2.1	2.1	2.1	2.1
P/BV - at target price (x)	2.9	2.9	2.9	2.8	2.8
P/CFO (x)	10.8	5.3	10.3	7.9	7.3
Price/sales (x)	2.4	2.4	2.6	2.2	2.0
Dividend yield (%)	5.8	5.8	6.4	8.0	9.3
FCF Yield (%)	8.1	18.6	9.2	12.3	13.2
(Bt)					
Normalized EPS	0.6	0.6	0.6	0.8	0.9
EPS	0.5	0.6	0.6	0.8	0.9
DPS	0.6	0.6	0.6	0.8	0.9
BV/share	4.5	4.5	4.6	4.6	4.7
CFO/share	0.9	1.8	0.9	1.2	1.3
FCF/share	0.8	1.8	0.9	1.2	1.3

Decent dividend yields, based on our estimates

Sources: Company data, Thanachart estimates

Improving operating margin trend

FINANCIAL RATIOS

FY ending Jun	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(4.8)	1.2	(9.0)	22.5	7.5
Net profit (%)	(22.3)	10.0	9.6	25.0	16.0
EPS (%)	(22.3)	10.0	9.6	25.0	16.0
Normalized profit (%)	(18.8)	0.4	9.6	25.0	16.0
Normalized EPS (%)	(18.8)	0.4	9.6	25.0	16.0
Dividend payout ratio (%)	108.6	98.7	100.0	100.0	100.0
Operating performance					
Gross margin (%)	57.8	59.6	63.5	63.8	64.1
Operating margin (%)	14.5	16.1	20.2	20.5	22.0
EBITDA margin (%)	17.6	28.5	33.1	30.9	31.3
Net margin (%)	14.0	13.7	16.7	17.0	18.4
D/E (incl. minor) (x)	0.0	0.0	0.0	(0.0)	(0.0)
Net D/E (incl. minor) (x)	(0.4)	(0.5)	(0.6)	(0.6)	(0.6)
Interest coverage - EBIT (x)	na	18.4	18.9	27.6	38.3
Interest coverage - EBITDA (x)	na	32.7	31.0	41.5	54.4
ROA - using norm profit (%)	10.6	9.6	9.5	12.2	14.2
ROE - using norm profit (%)	12.2	12.4	13.6	16.8	19.2
DuPont					
ROE - using after tax profit (%)	12.3	12.3	13.6	16.8	19.2
- asset turnover (x)	0.8	0.7	0.6	0.7	0.8
- operating margin (%)	15.6	17.0	21.6	22.0	23.5
- leverage (x)	1.2	1.3	1.4	1.4	1.3
- interest burden (%)	100.0	94.9	95.1	96.6	97.6
- tax burden (%)	89.9	84.9	81.0	80.0	80.0
WACC (%)	12.9	12.9	12.9	12.9	12.9
ROIC (%)	17.7	20.9	27.7	39.4	44.5
NOPAT (Bt m)	415	440	478	589	679
invested capital (Bt m)	2,101	1,728	1,495	1,526	1,542

Sources: Company data, Thanachart estimates

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