Small Cap Research

Thanachart Securities

BUY (Unchanged) | **TP: Bt 19.00** (From: Bt 22.00)

Change in Numbers | **Upside : 28.4%** | **10 FEBRUARY 2022**

PTG Energy Pcl. (PTG TB)

Overly punished

We maintain our BUY call on PTG but cut our TP to Bt19 from Bt22 as we factor in a slower volume recovery and lower margin. We see value in PTG at 16x forward PE in light of 35%/20% EPS growth in 2022/23F. PTG is also trading well below its pre-pandemic average of over 20x P/E. We see higher marketing margin as a key catalyst.

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Value emerges

We begin to see value in PTG with the stock now trading at about 16x forward PE, a slight discount to its recent average but well below the 20x or more seen during 2017-19. We also think valuation looks attractive in light of the potential 35% and 20% EPS growth in 2022-23F. In the short term, earnings will likely bottom out in 4Q21F and we expect a gradual recovery from 1Q22F onwards. We see continued volume growth and easing margin pressure are the key drivers of the share price.

A new market paradigm

We have begun to see a new paradigm in Thailand's oil retail market. Whereas in the past, all operators would offer the same pump prices as PTT's (PTT TB, BUY, Bt40.50), now each operator prices its products independently of PTT. This started in late-September 2021 as the government's insistence on a sub-Bt30 diesel price put the squeeze on operators' margins amid rising oil prices. Since then, private operators have started to price their products higher than the prices offered by PTT and Bangchak Corp (BCP TB, BUY, Bt29.25), which are majority-owned by the government. As such, we expect the margin squeeze observed in 3Q-4Q21 to ease from 1Q22F onwards despite higher oil prices. For PTG, this is crucial as we estimate that each Bt0.1/liter change in the retail marketing margin would impact its earnings by about 30% In 2022-23F.

Strong demand recovery

We expect PTG to benefit from rising gasoline and diesel demand in the country. Demand for these products took a dive in August and September 2021 as the government began to tighten movement restrictions. However, since reopening in October, we have seen demand recovering by over 10% m-m. In fact, gasoline and diesel demand in December 2021 was already a new record high. This is positive for PTG's volume growth and potential further market share gain.

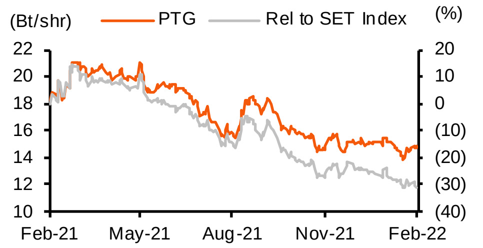
High CPO price bodes well for equity income

The recent surge in crude palm oil (CPO) price bodes well for PTG's equity income from its 40%-owned palm complex. Given the pricing formula in Thailand for B100 biodiesel, the higher CPO price (main raw material) will help lift rather than squeeze the B100 production margin. This means we expect equity income to start recovering from 4Q21F onwards after having fallen precipitously in 3Q21 following the CPO price correction during that period. PTG earned as much as Bt166m and Bt78m from equity income in 4Q20 and 1Q21, equivalent to 25% and 15% of its profit in those periods.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	104,666	137,509	150,046	158,237
Net profit	1,894	1,126	1,517	1,814
Consensus NP	—	1,376	1,825	2,202
Diff frm cons (%)	—	*(18.2)*	*(16.9)*	*(17.6)*
Norm profit	1,857	1,126	1,517	1,814
Prev. Norm profit	—	1,790	2,001	2,069
Chg frm prev (%)	—	*(37.1)*	*(24.2)*	*(12.3)*
Norm EPS (Bt)	1.1	0.7	0.9	1.1
Norm EPS grw (%)	19.0	(39.4)	34.8	19.5
Norm PE (x)	13.3	22.0	16.3	13.6
EV/EBITDA (x)	5.7	7.7	7.1	6.6
P/BV (x)	3.1	3.0	2.7	2.4
Div yield (%)	3.4	2.3	3.1	3.7
ROE (%)	25.6	13.9	17.4	18.8
Net D/E (%)	108.5	266.2	263.4	251.4

PRICE PERFORMANCE



COMPANY INFORMATION

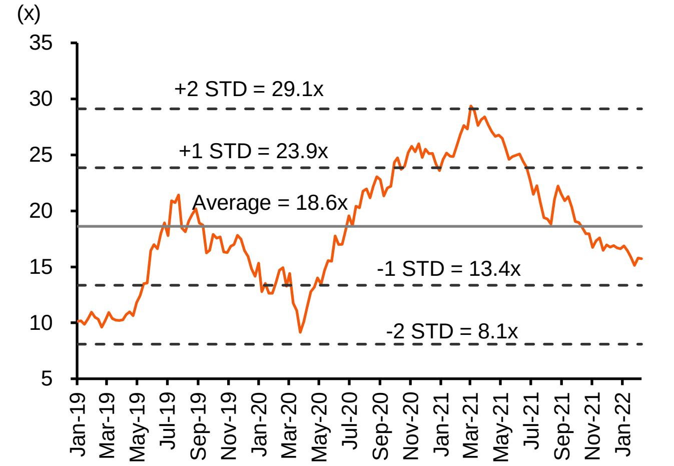
Price *as of* 10-Feb-22 (Bt)	14.80
Market Cap (US$ m)	757.4
Listed Shares (m shares)	1,670.0
Free Float (%)	56.9
Avg. Daily Turnover (US$ m)	8.7
12M Price H/L (Bt)	21.10/13.90
Sector	Energy
Major Shareholder	Ratchakij Holding Ltd. 25.12%

Sources: Bloomberg, Company data, Thanachart estimates

We see value emerging

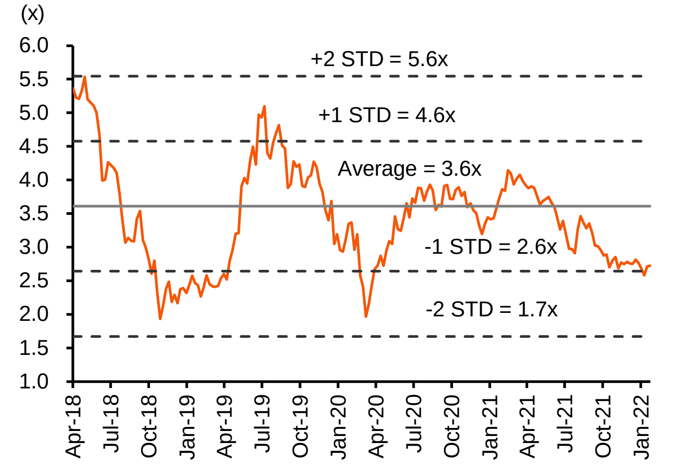
We begin to see value in PTG Energy Pcl (PTG) with the stock now trading at about 16x forward PE, a slight discount to its recent average but well below the 20x or more during 2017-19. Even after the pandemic began, we have rarely seen PTG trade at this multiple. We also think this level is attractive in light of 35%/20% EPS growth in 2022/23F. We think the market's concern about a margin squeeze is overdone and a recovery in 1Q22F results will likely help alleviate this concern.

Ex 1: Forward PE



Sources: Bloomberg; Thanachart estimates

Ex 2: Forward P/BV



Sources: Bloomberg; Thanachart estimates

Earnings-wise, we think the worst is over despite our EPS and TP downgrades

Earnings-wise, we think the company will see a bottom in 4Q21F and we expect a recovery from 1Q22F onwards. Still, because of the margin squeeze and impact of the lockdowns last year on gasoline and diesel demand, we have lowered both our marketing margin and volume assumptions in 2021-22F.

Ex 3: Changes In Our Key Assumptions

Assumption	Unit	2019	2020	2021F	2022F	2023F	2024F
New/Actual							
Volume	(m liters)	4,681	4,959	4,997	5,401	5,639	5,856
Blended margin	(Bt/liter)	1.87	1.90	1.83	1.85	1.90	1.90
SG&A	(Bt m)	7,907	7,820	8,235	8,856	9,456	10,023
Old							
Volume	(m liters)			5,100	5,459	5,700	5,919
Blended margin	(Bt/liter)			1.90	1.90	1.90	1.90
SG&A	(Bt m)			8,147	8,765	9,362	9,926
Change							
Volume	*(%)*			*(2.0)*	*(1.1)*	*(1.1)*	*(1.1)*
Blended margin	*(%)*			*(3.7)*	*(2.6)*	*0.0*	*0.0*
SG&A	*(%)*			*1.1*	*1.0*	*1.0*	*1.0*

Sources: Company data, Thanachart estimates

With the above changes in assumptions, we have cut our earnings estimates in 2021-24F by 12-37% and lowered our DCF-based 12-month TP, using a 2023F base year, to Bt19 from Bt22 previously. Note that our earnings cuts in 2021-22F are particularly severe because PTG is highly sensitive to movements in marketing margin: every Bt0.1/liter change would impact its earnings by about 30-40% in both of these years.

Ex 4: Our Earnings And TP Revisions

(Bt/shr)	Norm EPS						TP
	2019	2020	2021F	2022F	2023F	2024F	
New/Actual	0.93	1.11	0.67	0.91	1.09	1.05	19.00
Old			1.07	1.20	1.24	1.21	22.00
Change (%)			*(37.1)*	*(24.2)*	*(12.3)*	*(13.1)*	*(13.6)*

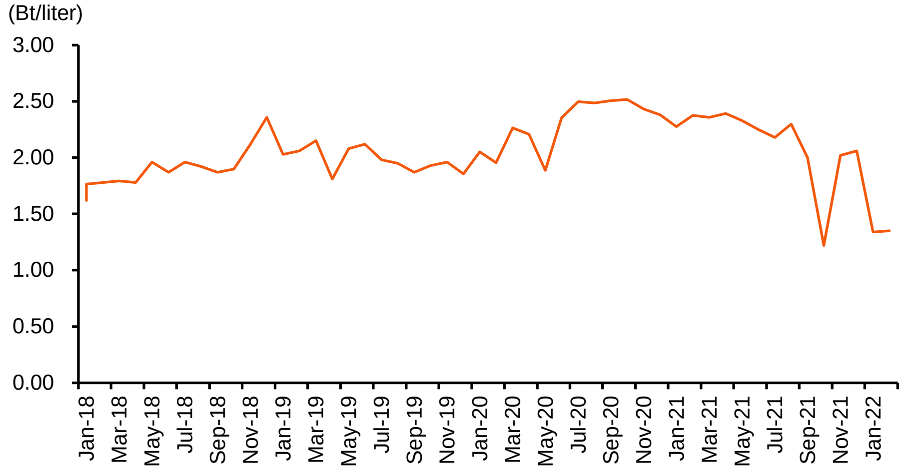
Sources: Company data, Thanachart estimates

A new market paradigm

Marketing margin has been under pressure due to rising oil prices

Marketing margin, as reported by the government, has taken a dive since September 2021 as oil prices began their upward march. With the government insisting on a diesel pump price below of Bt30/liter, margins have fallen from over Bt2/liter to as low as Bt1.4/liter in October 2021 and again in January-February 2022 to date.

Ex 5: Marketing Margin As Reported By The Government

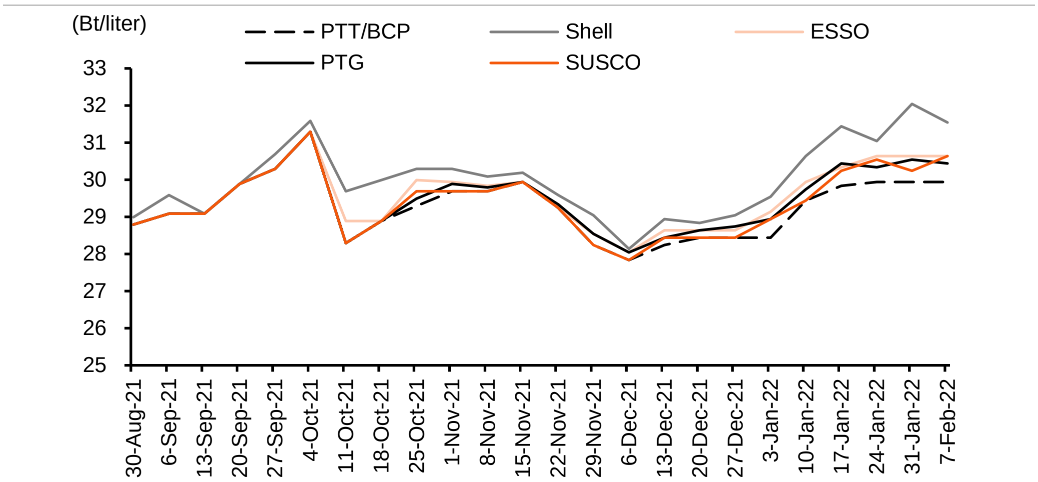


Sources: EPPO, Thanachart

Private operators have begun to charge higher pump prices than PTT

However, we have begun to see a new paradigm in Thailand's oil retail market since late-September 2021. Whereas in the past, all operators would offer the same pump prices as PTT's (PTT TB, BUY, Bt40.50), now each operator prices its products independently of PTT. In fact, private operators have started to price their diesel as much as Bt1.6/liter higher than the prices offered by PTT though the average is closer to Bt0.6/liter higher.

Ex 6: Diesel Pump Prices Start Diverging From September 2021

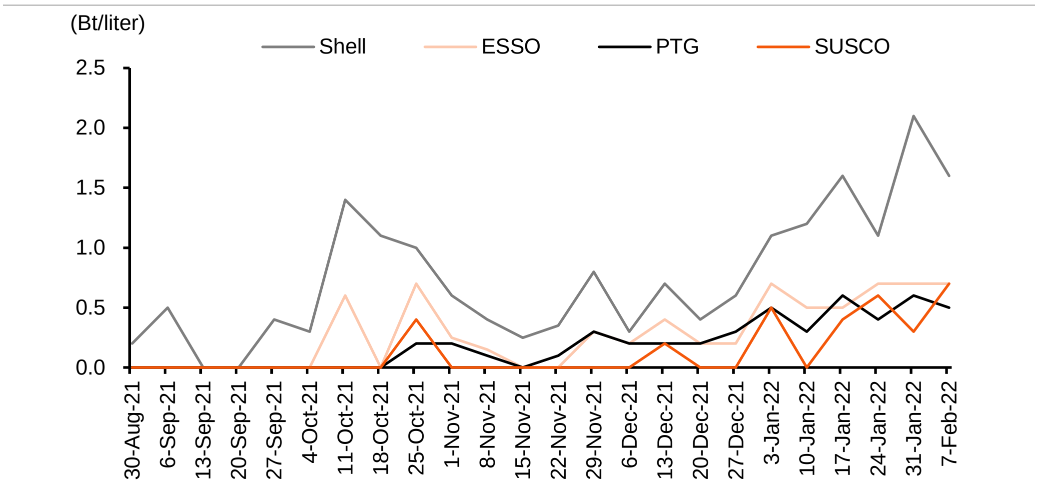


Sources: EPPO, Thanachart

PTG's prices—and therefore margins—are roughly Bt0.3-0.6/litre higher than PTT's

PTG has adopted a similar strategy, pricing its diesel and other oil products roughly Bt0.4-0.6/liter higher than PTT's. This means PTG's actual margin is likely closer to Bt1.8/liter rather than Bt1.3-1.4/liter as reported by the government. As such, we expect the margin squeeze in 3Q-4Q21 to ease from 1Q22F onwards despite higher oil prices.

Ex 7: Diesel Pump Prices Of Various Brands Vs. PTT/BCP



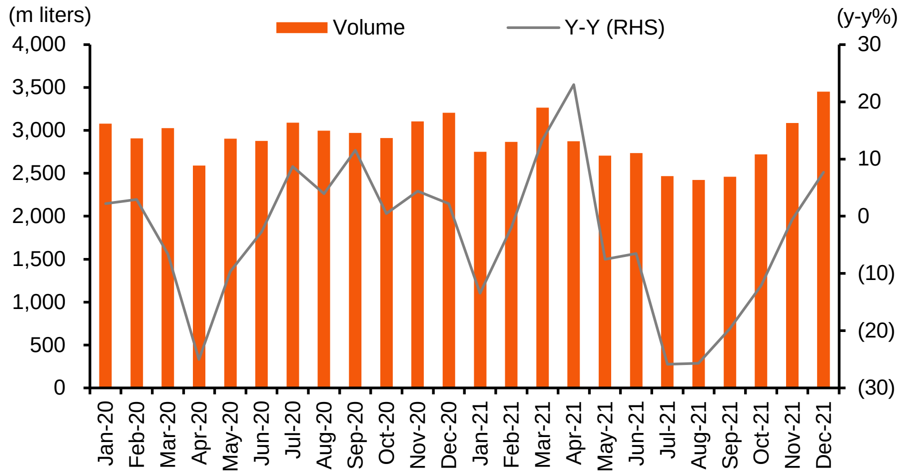
Sources: EPPO, Thanachart

Strong demand recovery

Gasoline, diesel demand in Thailand have begun to recover since October 2021

We expect PTG to benefit from rising gasoline and diesel demand in the country. Demand for these products took a dive in August and September 2021 as the government began to tighten movement restrictions. However, since reopening in October, we have seen demand growing by over 10% m-m in October-December. In fact, gasoline and diesel demand in December 2021 was a new record high. This is positive for PTG's volume growth and the potential for it to make further market share gains.

Ex 8: Thailand Gasoline And Diesel Demand Recovery



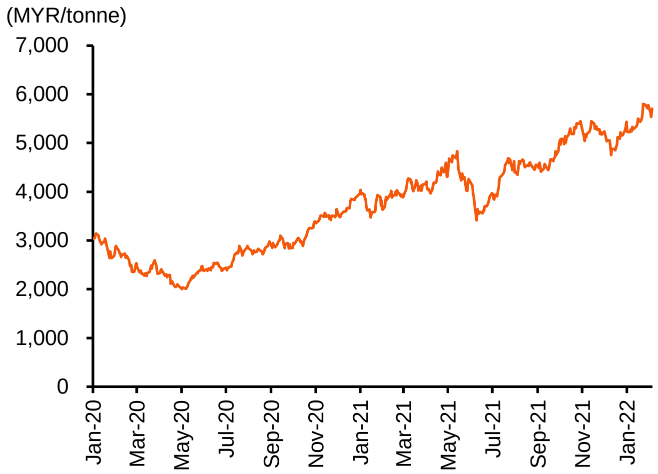
Sources: DOEB, Thanachart

High CPO price bodes well for equity income

Higher CPO price is positive to PTG's equity income from its palm complex

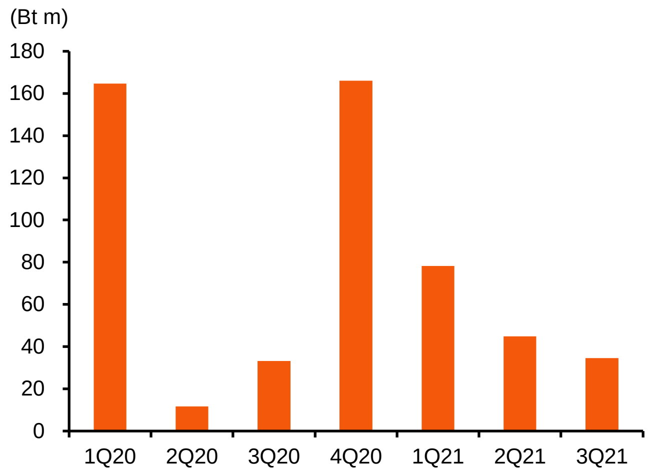
The recent surge in crude palm oil (CPO) price bodes well for PTG's equity income from its 40%-owned palm complex. Given the pricing formula in Thailand for B100 biodiesel, the higher CPO price (the main raw material) will help lift rather than squeeze the B100 production margin. This means that we expect equity income to start recovering from 4Q21F onwards after having fallen precipitously in 3Q21 following the CPO price correction during that period. PTG earned as much as Bt166m and Bt78m from equity income in 4Q20 and 1Q21, equivalent to 25% and 15% of its profit in those periods.

Ex 9: CPO Price



Sources: Bloomberg; Thanachart

Ex 10: PTG's Equity Income



Sources: Company data; Thanachart

Ex 11: 12-month DCF-based Valuation, Using a Base Year Of 2023F

(Bt m)		2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA		6,607	6,900	7,133	7,367	7,602	7,697	7,817	7,935	8,050	8,164	
Free cash flow		1,972	3,062	3,209	3,389	3,572	3,595	3,631	3,656	3,672	3,678	69,465
PV of free cash flow		1,843	2,674	2,619	2,566	2,523	2,368	2,231	2,096	1,963	1,800	33,999
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.1											
WACC (%)	7.0											
Terminal growth (%)	2.0											
Enterprise value - add investments	56,682											
Net debt (2022F)	24,490											
Minority interest	130											
Equity value	32,052											
# of shares (m)	1,670											
Equity value/share (Bt)	**19.2**											

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 12: Comparison With Regional Peers

Company	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 (%)	ROE 21F (%)	ROE 22F (%)
Refining & Marketing														
Caltex Australia	CTX AU	Australia	79.4	31.0	na	na	na	na	na	na	na	na	12.0	14.9
BPCL	BPCL IN	India	121.2	(0.1)	7.9	7.9	1.7	1.4	7.2	7.2	5.7	5.8	24.7	18.9
HPCL	HPCL IN	India	160.5	(11.3)	5.6	6.4	1.3	1.1	5.7	6.6	6.2	5.8	24.1	17.5
IOCL	IOCL IN	India	129.5	35.4	7.4	5.5	1.1	0.9	6.6	5.3	6.8	9.2	14.6	17.5
Reliance Industries	RIL IN	India	(0.6)	27.7	34.3	26.9	2.6	2.1	22.1	16.4	0.3	0.3	8.6	7.9
SK Energy	096770 KS	S.Korea	na	85.2	27.4	14.8	1.1	1.0	8.2	7.6	0.9	1.5	4.4	7.4
S-OIL	010950 KS	S.Korea	na	(12.2)	6.8	7.8	1.5	1.3	5.2	5.9	4.4	4.1	23.5	18.1
Petron	PCOR PM	Philippines	na	200.0	20.7	6.9	0.6	0.5	10.9	7.6	na	na	1.9	5.5
Formosa Petrochemical	6505 TT	Taiwan	na	(8.7)	18.2	19.9	2.7	2.6	11.5	12.0	4.2	3.4	15.3	13.2
Bangchak *	BCP TB	Thailand	na	169.0	23.9	8.9	0.8	0.8	6.5	6.6	6.8	6.8	na	na
ESSO (Thailand) *	ESSO TB	Thailand	na	na	na	11.3	1.4	1.3	18.6	8.7	0.0	0.0	na	na
IRPC Pcl *	IRPC TB	Thailand	na	9.7	16.2	14.8	0.9	0.9	7.7	8.9	2.5	3.4	na	na
PTG Pcl *	PTG TB	Thailand	(39.4)	34.8	22.0	16.3	3.0	2.7	7.7	7.1	2.3	3.1	13.9	17.4
PTT Global Chemicals *	PTTGC TB	Thailand	286.2	(20.5)	8.8	11.1	0.8	0.8	8.7	8.8	6.9	4.5	9.9	7.3
Star Petroleum Refining *	SPRC TB	Thailand	na	na	na	13.1	1.4	1.3	16.3	7.1	5.1	3.0	na	na
SUSCO Pcl	SUSCO TB	Thailand	2.2	26.0	18.1	14.4	1.1	1.0	7.3	5.9	2.8	3.5	5.9	7.2
Thai Oil *	TOP TB	Thailand	na	65.3	28.3	17.2	0.9	0.9	15.8	17.1	4.1	2.3	3.3	5.3
Average			**92.4**	**42.1**	**17.6**	**12.7**	**1.4**	**1.3**	**10.4**	**8.7**	**3.9**	**3.8**	**12.5**	**12.1**
Integrated oils														
PetroChina	857 HK	China	na	(5.0)	8.2	8.6	0.6	0.6	3.7	3.6	6.0	5.7	7.2	6.5
Sinopec	386 HK	China	112.7	(9.7)	6.7	7.5	0.6	0.6	3.6	3.6	8.7	8.1	9.7	8.4
Total	FP	France	na	10.3	na	na	na	na	na	na	na	na	15.3	16.0
Eni	ENI IM	Italy	na	30.9	11.2	8.6	1.2	1.1	3.9	3.3	6.5	6.9	10.6	13.3
RD/Shell A	RDSA NA	Netherlands	na	41.3	na	na	na	na	4.7	4.3	na	na	11.2	15.3
Repsol	REP SM	Spain	na	20.7	7.8	6.5	0.8	0.8	4.1	3.7	5.2	5.4	11.1	12.6
Chevron Texaco	CVX US	USA	na	20.9	16.1	13.3	1.9	1.8	6.9	6.1	3.9	4.1	11.7	13.4
Exxon Mobil	XOM US	USA	na	26.8	15.1	11.9	2.0	1.9	7.3	6.2	4.4	4.5	13.5	16.0
Conoco Philips	COP US	USA	na	46.8	15.4	10.5	2.7	2.4	6.7	5.2	1.9	2.2	20.8	23.1
PTT Pcl *	PTT TB	Thailand	206.6	(13.2)	9.9	11.4	1.1	1.1	4.2	4.3	4.9	4.9	12.3	9.7
Average			**159.6**	**17.0**	**11.3**	**9.8**	**1.4**	**1.3**	**5.0**	**4.5**	**5.2**	**5.2**	**12.3**	**13.4**
Exploration and Production														
Santos	STO AU	Australia	168.2	51.1	18.3	12.1	2.0	1.7	7.6	4.6	1.5	2.1	11.0	17.8
Woodside	WPL AU	Australia	194.3	46.0	17.2	11.8	1.8	1.8	5.4	4.0	4.0	5.1	11.2	15.8
Suncor Energy	SU US	Canada	na	76.6	11.1	6.3	1.2	1.1	5.4	4.6	3.6	5.9	10.9	16.5
ONGC	ONGC IN	India	(46.2)	na	17.2	5.7	1.0	0.9	6.6	4.4	1.8	5.9	6.1	15.3
RIL	RIL IN	India	(0.6)	27.7	34.3	26.9	2.6	2.1	22.1	16.4	0.3	0.3	8.6	7.9
Cairn India	CAIR IN	India	na	na	na	na	na	na	na	na	na	na	na	na
Apache	APA US	USA	na	50.6	8.2	5.5	na	na	4.5	3.8	0.5	1.4	(104.9	(174.8
Devon Energy	DVN US	USA	na	63.6	15.4	9.4	3.7	2.6	7.2	5.3	1.9	2.8	38.1	40.6
PTTEP *	PTTEP TB	Thailand	105.6	32.0	11.9	9.0	1.3	1.1	3.5	2.8	3.8	4.6	11.4	13.2
Average			**84.3**	**49.7**	**16.7**	**10.8**	**1.9**	**1.6**	**7.8**	**5.7**	**2.2**	**3.5**	**(1.0)**	**(6.0)**

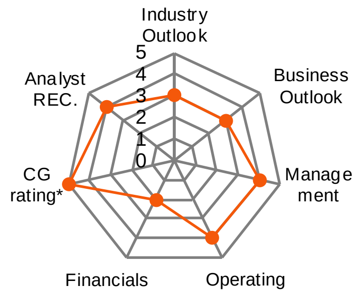
Sources: Bloomberg, * Thanachart estimates
Based on 10 February 2022 closing prices

COMPANY DESCRIPTION

PTG Energy Pcl (PTG) has six core business segments: 1) Fuel retailing through PT petrol stations, mostly under the company-owned and company-operated (COCO) model. 2) Fuel wholesaling to other oil traders and industrial operators. 3) LPG retailing through PT petrol stations (also COCO). 4) Minimart and coffee-shop businesses under the names Max Mart and Pun Thai Coffee. 5) Sales of other automotive-related products. 6) Rental of space at its COCO petrol stations. The company is now expanding its non-oil business portion via investments and M&As to utilize its strong brand recognition and large customer base to grow profits.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Awards

THANACHART'S SWOT ANALYSIS

S — Strength

- Owns and self-operates most of its PT gas stations
- Manages its own logistics and oil tank operations
- Extensive station coverage with an asset-light model

W — Weakness

- Stations operate under rental contracts
- Second-tier target market generates lower non-oil income
- Aggressive expansion is financed with debt

O — Opportunity

- Gaining market share from independent gas stations
- Investments in energy-related and automotive-related businesses

T — Threat

- Risk of being unable to find good-quality stations
- Government intervention to lower the oil retail margin
- Risk from new investments and M&As

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	18.02	19.00	5%
Net profit 21F (Bt m)	1,339	1,126	-16%
Net profit 22F (Bt m)	1,729	1,517	-12%
Consensus REC	**BUY: 10**	**HOLD: 2**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F earnings are well below consensus as we likely assume lower marketing margins.
- However, our TP is in line as we expect margin to normalize in 2023-24F.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- A sharp increase in oil prices would be the key downside risk to our earnings forecasts.
- Lower-than-expected expansion in marketing margins ahead would present another downside risk to our earnings estimates.
- The outcome of its future investments and M&A activity would also present a risk to our numbers.

Source: Thanachart

We see strong earnings prospects in 2022-23F

Balance sheet is improving with slower expansion

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	120,252	104,666	137,509	150,046	158,237
Cost of sales	110,127	93,824	126,241	137,741	145,040
Gross profit	**10,125**	**10,842**	**11,269**	**12,305**	**13,198**
% gross margin	8.4%	10.4%	8.2%	8.2%	8.3%
Selling & administration expenses	7,907	7,820	8,235	8,856	9,456
Operating profit	**2,218**	**3,023**	**3,033**	**3,449**	**3,742**
% operating margin	1.8%	2.9%	2.2%	2.3%	2.4%
Depreciation & amortization	3,011	2,880	3,104	3,517	3,906
EBITDA	**5,229**	**5,903**	**6,137**	**6,966**	**7,648**
% EBITDA margin	4.3%	5.6%	4.5%	4.6%	4.8%
Non-operating income	0	0	0	0	0
Non-operating expenses	0	0	0	0	0
Interest expense	(335)	(1,104)	(1,856)	(1,843)	(1,764)
Pre-tax profit	**1,883**	**1,919**	**1,177**	**1,606**	**1,978**
Income tax	359	425	235	321	396
After-tax profit	**1,524**	**1,494**	**942**	**1,285**	**1,582**
% net margin	1.3%	1.4%	0.7%	0.9%	1.0%
Shares in affiliates' Earnings	40	376	200	250	250
Minority interests	(3)	(12)	(16)	(17)	(18)
Extraordinary items	0	37	0	0	0
NET PROFIT	**1,561**	**1,894**	**1,126**	**1,517**	**1,814**
Normalized profit	**1,561**	**1,857**	**1,126**	**1,517**	**1,814**
EPS (Bt)	0.9	1.1	0.7	0.9	1.1
Normalized EPS (Bt)	0.9	1.1	0.7	0.9	1.1

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	4,850	3,859	5,028	5,482	5,801
Cash & cash equivalent	1,038	942	753	818	887
Account receivables	1,222	503	1,507	1,644	1,734
Inventories	2,217	2,088	2,767	3,019	3,179
Others	373	326	1	1	1
Investments & loans	2,207	1,810	2,310	2,810	3,310
Net fixed assets	11,458	10,853	12,957	14,116	14,988
Other assets	4,136	25,515	42,596	43,847	44,464
Total assets	**22,652**	**42,037**	**62,891**	**66,256**	**68,563**
LIABILITIES:					
Current liabilities:	11,614	8,486	19,254	20,152	20,142
Account payables	5,779	3,920	7,263	7,925	8,345
Bank overdraft & ST loans	3,050	1,850	6,952	6,327	5,355
Current LT debt	2,490	1,464	4,055	4,745	5,355
Others current liabilities	296	1,252	984	1,155	1,088
Total LT debt	**3,857**	**6,282**	**12,165**	**14,236**	**16,064**
Others LT liabilities	474	19,289	23,050	22,571	22,062
Total liabilities	**15,944**	**34,057**	**54,469**	**56,959**	**58,267**
Minority interest	60	96	112	130	148
Preferreds shares	0	0	0	0	0
Paid-up capital	1,670	1,670	1,670	1,670	1,670
Share premium	1,185	1,185	1,185	1,185	1,185
Warrants	0	0	0	0	0
Surplus	(63)	(55)	(55)	(55)	(55)
Retained earnings	**3,855**	**5,083**	**5,510**	**6,366**	**7,347**
Shareholders' equity	6,648	7,884	8,310	9,167	10,148
Liabilities & equity	**22,652**	**42,037**	**62,891**	**66,256**	**68,563**

Sources: Company data, Thanachart estimates

We expect positive FCF going forward

Current valuation is well below its average pre-COVID

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	1,883	1,919	1,177	1,606	1,978
Tax paid	(274)	(314)	(235)	(321)	(396)
Depreciation & amortization	3,011	2,880	3,104	3,517	3,906
Chg In w orking capital	(1,079)	(1,011)	1,661	272	170
Chg In other CA & CL / minorities	136	1,950	(68)	421	183
Cash flow from operations	**3,677**	**5,425**	**5,638**	**5,495**	**5,842**
Capex	(3,444)	(2,275)	(4,207)	(3,655)	(3,737)
Right of use	0	(23,662)	(500)	(500)	(500)
ST loans & investments	(358)	45	325	0	0
LT loans & investments	0	397	(500)	(500)	(500)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	5	20,432	(13,821)	(2,250)	(1,667)
Cash flow from investments	**(3,796)**	**(5,064)**	**(18,703)**	**(6,905)**	**(6,404)**
Debt financing	505	201	13,575	2,136	1,465
Capital increase	0	0	0	0	0
Dividends paid	(334)	(668)	(699)	(661)	(833)
Warrants & other surplus	(23)	10	0	0	0
Cash flow from financing	**147**	**(457)**	**12,876**	**1,475**	**632**
Free cash flow	**234**	**3,149**	**1,431**	**1,840**	**2,105**

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	15.8	13.3	22.0	16.3	13.6
Normalized PE - at target price (x)	20.3	17.1	28.2	20.9	17.5
PE (x)	15.8	13.0	22.0	16.3	13.6
PE - at target price (x)	20.3	16.8	28.2	20.9	17.5
EV/EBITDA (x)	6.3	5.7	7.7	7.1	6.6
EV/EBITDA - at target price (x)	7.7	6.8	8.8	8.1	7.5
P/BV (x)	3.7	3.1	3.0	2.7	2.4
P/BV - at target price (x)	4.8	4.0	3.8	3.5	3.1
P/CFO (x)	6.7	4.6	4.4	4.5	4.2
Price/sales (x)	0.2	0.2	0.2	0.2	0.2
Dividend yield (%)	3.4	3.4	2.3	3.1	3.7
FCF Yield (%)	0.9	12.7	5.8	7.4	8.5
(Bt)					
Normalized EPS	0.9	1.1	0.7	0.9	1.1
EPS	0.9	1.1	0.7	0.9	1.1
DPS	0.5	0.5	0.3	0.5	0.5
BV/share	4.0	4.7	5.0	5.5	6.1
CFO/share	2.2	3.2	3.4	3.3	3.5
FCF/share	0.1	1.9	0.9	1.1	1.3

Sources: Company data, Thanachart estimates

ROE to improve in 2022-23F with easing margin pressure

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	11.2	(13.0)	31.4	9.1	5.5
Net profit (%)	149.8	21.4	(40.6)	34.8	19.5
EPS (%)	149.8	21.4	(40.6)	34.8	19.5
Normalized profit (%)	149.8	19.0	(39.4)	34.8	19.5
Normalized EPS (%)	149.8	19.0	(39.4)	34.8	19.5
Dividend payout ratio (%)	53.5	44.1	50.0	50.0	50.0
Operating performance					
Gross margin (%)	8.4	10.4	8.2	8.2	8.3
Operating margin (%)	1.8	2.9	2.2	2.3	2.4
EBITDA margin (%)	4.3	5.6	4.5	4.6	4.8
Net margin (%)	1.3	1.4	0.7	0.9	1.0
D/E (incl. minor) (x)	1.4	1.2	2.8	2.7	2.6
Net D/E (incl. minor) (x)	1.2	1.1	2.7	2.6	2.5
Interest coverage - EBIT (x)	6.6	2.7	1.6	1.9	2.1
Interest coverage - EBITDA (x)	15.6	5.3	3.3	3.8	4.3
ROA - using norm profit (%)	7.2	5.7	2.1	2.3	2.7
ROE - using norm profit (%)	25.8	25.6	13.9	17.4	18.8
DuPont					
ROE - using after tax profit (%)	25.2	20.6	11.6	14.7	16.4
- asset turnover (x)	5.5	3.2	2.6	2.3	2.3
- operating margin (%)	1.8	2.9	2.2	2.3	2.4
- leverage (x)	3.6	4.5	6.5	7.4	7.0
- interest burden (%)	84.9	63.5	38.8	46.6	52.9
- tax burden (%)	80.9	77.9	80.0	80.0	80.0
WACC (%)	7.0	7.0	7.0	7.0	7.0
ROIC (%)	13.5	15.7	14.7	9.0	8.9
NOPAT (Bt m)	1,795	2,353	2,427	2,759	2,994
invested capital (Bt m)	15,005	16,539	30,729	33,657	36,033

Sources: Company data, Thanachart estimates

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