

HOLD (From: BUY)**TP: Bt 46.00** (From: Bt 76.00)**17 FEBRUARY 2022**

Change in Recommendation

Downside : 1.1%

RATCH Group Pcl (RATCH TB)

Less attractive

We expect the appeal of RATCH's shares to remain low due to the overhang from its capital-raising plan and it lagging in the green energy trend. RATCH also looks to be struggling to find replacements for its expiring plants in our view. We downgrade RATCH to HOLD, as its 4-5% yields still look decent with a post-dilution TP of Bt46/share.

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Downgrading to HOLD

We see three negative factors weighing on RATCH's share price. *First*, since its capital-raising plan is due to be executed in 1Q22, we believe investors are reluctant to get in ahead of the 53% dilution. *Second*, RATCH needs to invest in more fossil-fuel power plants, bucking the green energy trend, to replace its 3.7GW of power plants expiring in 2025-27. *Third*, we expect higher diversification discount on RATCH as it is expanding into other infrastructure businesses to offset the muted power industry growth prospects. After factoring in new projects and the dilution, we downgrade RATCH to HOLD given the 1% downside to our diluted DCF-derived SOTP-TP (2022F base year) of Bt46.

Upcoming huge capital call

RATCH announced in June 2021 it would raise capital by issuing 769m new shares (from 1,450m) in 1Q22F. The issue price has yet to be declared, but RATCH has set a proceeds target of at least Bt30bn, implying Bt39 per newly issued share, to fund its investments: 1) Bt26bn for 931MW of the Paiton coal-fired power project in Indonesia, 2) Bt3.5bn to acquire 51% of Sahacogen (Chonburi) Pcl (SCG TB, non-rated, Bt5.55), 3) and Bt1.8bn for a 21% extra stake in the Asahan-1 Indonesian hydropower plant, and other projects under development including the 714MW equity-capacity Hin Kong Power IPP plant (HKH). We are neutral on the capital-raising plan since it would help extend the firm's capacity lifeline, but at a significant dilution cost to shareholders.

Lagging the green energy trend

We believe most of RATCH's new capacity target of 4.2GW by 2025 will be fossil-fuel power plants, since it needs sizable capacity fast to replace its 1.5GW and 2.2GW IPP plants expiring in 2025 and 2027 (18% and 27% of operating capacity) and to extend the average contract life of its current 8.1GW of capacity. RATCH would thus be bucking the global green energy trend, with the risk of it having to buy renewable plants at excessive prices or invest in non-profitable carbon-reduction facilities to meet emission regulations. RATCH is trying to solve the dilemma of sustaining its earnings base while keeping its portfolio green by investing in other infrastructure businesses (i.e., hospitals, tollways, mass-transit services), but we don't expect investors to like this diversification into lower-profitability projects.

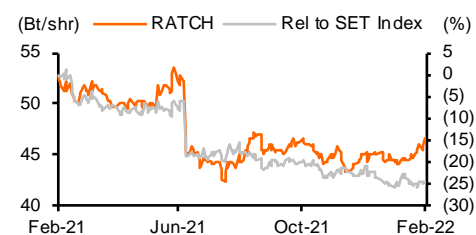
Already at low valuations

Despite the slim growth outlook at a 6% EPS CAGR over 2022-24F post-dilution and unenticing outlook, we believe its low PE at 10x in 2022F is already warranted by its 11-year remaining contract life and weak earnings growth. We also project decent dividend yields of 4-5% to be resilient over 2022-24F.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	34,206	38,793	43,234	42,890
Net profit	6,287	6,601	9,910	11,130
Consensus NP	—	7,061	9,079	8,694
Diff frm cons (%)	—	(6.5)	9.2	28.0
Norm profit	5,451	6,601	9,910	11,130
Prev. Norm profit	—	6,827	7,021	7,071
Chg frm prev (%)	—	(3.3)	41.1	57.4
Norm EPS (Bt)	3.5	4.3	4.8	5.0
Norm EPS grw (%)	(9.7)	21.1	10.8	5.3
Norm PE (x)	13.1	10.8	9.8	9.3
EV/EBITDA (x)	23.9	21.0	17.9	18.7
P/BV (x)	1.2	1.1	1.0	1.0
Div yield (%)	4.9	5.1	3.8	4.3
ROE (%)	9.1	10.6	12.1	10.7
Net D/E (%)	54.8	63.7	30.7	22.8

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 17-Feb-22 (Bt)	46.50
Market Cap (US\$ m)	2,095.6
Listed Shares (m shares)	1,450.0
Free Float (%)	55.0
Avg Daily Turnover (US\$ m)	5.7
12M Price H/L (Bt)	53.50/42.25
Sector	Utilities
Major Shareholder	EGAT 45%

Sources: Bloomberg, Company data, Thanachart estimates



Downgrading to HOLD

Downgrading to HOLD as we see the stock as less attractive

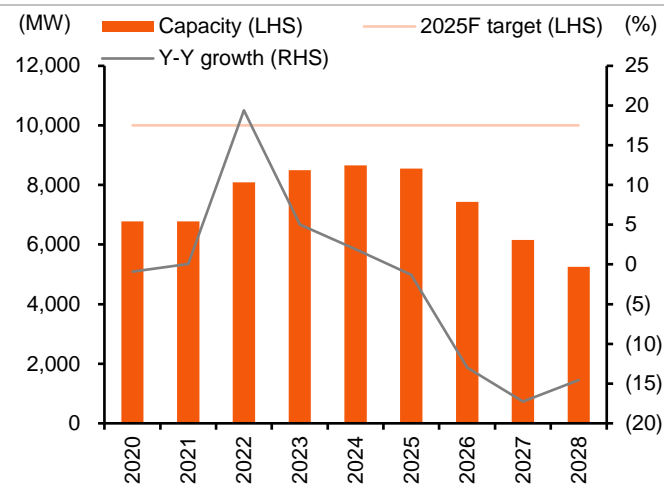
We downgrade our recommendation on Ratch Group Pcl (RATCH) to HOLD (from Buy) as we believe the attractiveness of its shares is now much lower for three reasons:

- *First*, there is the overhang from its capital-raising plan, scheduled to be executed by 1H22, with a significant 53% dilution impact.
- *Second*, we believe RATCH will have to continue investing in fossil-fuel power plants to sustain its earnings base given that its 3.7GW capacity IPP project is expiring over 2025-27. This would buck the strong green energy global investment trend.
- *Third*, RATCH has been diversifying its investments into non-power infrastructure businesses to stabilize its earnings and reinvesting the huge amounts of cash generated by its existing power plants. However, we believe those projects will be less profitable than the power plant business and that this may lead to a higher discount rate from the market due to the much higher diversification risks.

Already low valuations, with decent dividend yields

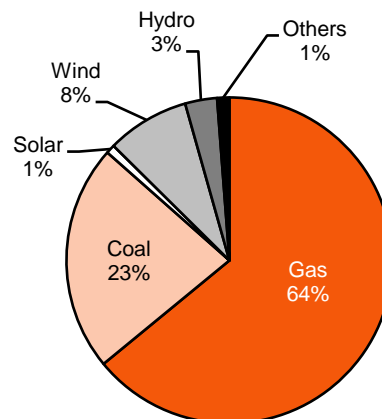
After our earnings revisions to reflect some impacts from fuel price rises and to factor in the share dilution from its upcoming capital call, we now value RATCH (using a DCF-derived SOTP approach) at Bt46/share. Our HOLD rating is supported by its already low valuation of 10x PE, while its 4-5% dividend yields during 2022-24F look set to provide a decent downside cushion for its share price.

Ex 1: RATCH's Pro-Rata Capacity Outlook



Sources: Company data, Thanachart estimates

Ex 2: Capacity Breakdown By Fuel Type (2021)



Sources: Company data, Thanachart estimates

Upcoming huge capital raising

Announced capital call to raise Bt30bn by 1H22

RATCH announced on 22 June 2021 a capital-raising plan via the issuance of 769.2m new ordinary shares (+53% from its 1,450m existing shares). Current shareholders would be granted the right to subscribe to 1 newly issued share per 1.885 existing shares. RATCH expects to hold an extraordinary general meeting (EGM) to approve this plan by 1Q22, and for the share subscription to proceed by 1H22. Due to the long lag time between the announcement and the execution date, the issue price for new shares has not yet been declared. However, RATCH targets to raise no less than Bt30bn in proceeds from the capital call, implying an offering price of above Bt39 per new share.

Ex 3: RATCH's Announced Capital Raising Plan By 1H22

Existing ordinary shares (m shares)	1,450.0
Newly issued shares (m shares)	769.2
Share dilution impact	53.1%
Offering ratio (new: existing)	1 : 1.885
Offering price (Bt/share)	Likely no less than Bt39/share
Expected EGM approval	1Q22
Expected rights offering date	1H22

Sources: Company data

Most of the proceeds would be used to acquire new capacity

Proceeds from the capital call would be used for three major investments; 1) Bt25.9bn to buy a 45.5% stake in 2,045MW of coal-fired power plants (931MW equity-capacity in Paiton P7/8 and Paiton P3, "Paiton") in Indonesia with 20 years remaining (into March 2042) life of the power purchase agreement (PPA) and a 65% stake in IPM Asia (IPM), which is its operation and maintenance (O&M) entity, 2) Bt3.5bn to pay for the acquisition of 51% of the total existing shares of Sahacogen (Chonburi) Pcl (SCG TB, non-rated), which operates a 214MW gas-fired SPP plant and 15.2MW of biomass power plants in Thailand, and 3) Bt1.8bn to purchase a 21.3% additional stake in the Asahan-1 hydropower plant in Indonesia (from 26.6% to 47.9%). We have a neutral view on RATCH's capital-raising plan since it would increase the average contract life of its portfolio to 11.0 years (from 9.5 years) and help stabilize its earnings base after the expiry of its major IPP plant in 2025. Nevertheless, it would come with a costly dilution impact to existing shareholders.

Ex 4: Three Major Acquisitions To Spend The Proceeds On

Project	Paiton P7/8 & P3	Sahacogen SPP	Sahacogen Biomass	Asahan-1
Installed capacity (MW)	2,045.0	214.0	17.1	180.0
Stake (%)	45.5	51.0	45.4	21.3
Equity capacity (MW)	930.8	109.1	7.8	38.3
Location	Indonesia	Thailand	Thailand	Indonesia
Off-taker	PT Perusahaan Listrik Negara	EGAT	EGAT	PT Perusahaan Listrik Negara
Contract expiration	March 2042	April 2024 (granted 25-year extension)	2026-27	December 2040
Investment cost (Bt m)	25,907.2	----- 3,457.5 -----		1,789.0

Sources: Company data

Lagging green energy trend**Difficult to both sustain earnings and increase renewable capacity**

RATCH is in a hurry to find new capacity, in our view, due to the approaching expiry of its 1.5GW IPP contract in 2025 and another 2.2GW contract in 2027. Based on its 10GW capacity target in 2025F, after the first IPP unit expires, RATCH has to acquire total of 4.2GW capacity over 2022-25F. The dilemma for RATCH is whether to try to sustain its earnings base and extend the average contract life of its power portfolio, or to raise its renewable portion to 25% of total capacity (from 13.5% currently) following the global green energy trend. Given the sizable capacity required, we believe the majority of RATCH's upcoming acquisitions will be conventional (fossil fuel-based) power projects. RATCH would therefore be bucking the global green energy trend, with the risk of it having to buy renewable plants at excessive prices or invest in non-profitable carbon-reduction facilities to meet emission regulations in the future.

Diversification into lower-profitability non-power businesses

RATCH has attempted to solve the dilemma by investing in non-power infrastructure businesses for a non-dirty (no or low carbon emissions) earnings base over the past two years, i.e., hospital and healthcare facilities, an aviation refueling service, and transportation infrastructure (tollways, and skytrain commuting systems). We see this as a good-effort workaround by the company, but it may not be so helpful financially given the lower profitability of those projects compared to its existing power plants. We also don't expect investors to like this diversification into lower-profitability projects.

Ex 5: RATCH's Investments In Non-Power Plant Businesses

	Pink and Yellow line monorail services	BGSR-6 and BGSR-81	Bangkok Aviation Fuel Services Pcl (BAFS)	Principal Capital Pcl (PRINC)	Bangkok Chain International Laos (BCL)
Core business	Monorail commuting service in Bangkok	Operation and maintenance service for motorway projects	Aviation refueling service at airports	Hospitals and healthcare services in Thailand	254-bed private hospital in Vientiane (Laos)
Stake (%)	10.0	10.0	15.5	13.6	9.9
Investment cost (Bt m)	> 4,200.0*	> 3,000.0*	2,712.1	1,557.7	190.0

Sources: Company data, Thanachart estimates*

Ex 6: Our 12-month DCF-derived Valuation Plus Potential Capacity

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal value
EBITDA excl. depre from right of use	7,140	6,838	6,130	4,445	3,524	2,696	1,638	1,609	1,580	1,397	1,678	0
Free cash flow	2,240	3,264	3,630	2,790	2,121	1,418	1,106	1,085	981	1,121	22,593	44,766
PV of free cash flow	1,987	2,726	2,856	2,025	1,444	905	662	650	517	529	10,664	20,960
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.8											
WACC (%)	6.2											
Terminal growth (%)	2.0											
Enterprise value - add investments	31,409											
Net debt (2021F)	40,502											
Minority interest	1											
Equity value	(9,094)											
# of shares (m)	2,219											
Valuation/share (Bt)	(4.1)											

Plus associates and affiliates

Bt/share

1. Domestic conventional

- IPP plants 15.4

(RPCL, HPC, Hin Kong)

- SPP plants 7.0

(RW, NNEG, Berkprai, Nexif, IPS)

Subtotal 22.4

2. Domestic renewables

- Solar farms (Solarta, Korat-3/4/7) 0.6

- Wind farm (Houy Bong) 0.6

Subtotal 1.2

3. Laos hydropower

- NN2 2.7

- Xepian Xe Namnoy 2.4

Subtotal 5.1

4. Overseas projects

- Kwinana (Gas, Australia) 0.2

- Riau (Gas, Indonesia) 0.4

- Paiton (Coal, Indonesia) 11.2

- Thang Long (Coal, Vietnam) 1.4

- Wind Vietnam (Ecowin, Nexif) 0.1

- Asahan 1 (Hydro, Indonesia) 2.3

Subtotal 15.5

5. Other investments

- BAFS 1.1

- PRINC 0.7

- SCG 1.4

- BCIL 0.1

- Motorways M6 and M81 0.8

- MRT Pink and Yellow lines 1.7

Subtotal 5.8**Total 46.0**

Source: Thanachart estimates

Valuation Comparison

Ex 7: Comparison With Regional Peers

Name	BBG code	Country	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 (%)
Datang International Power	991 HK	China	(39.2)	123.7	19.3	8.6	0.6	0.6	9.3	7.9	4.8	10.2
Huadian Power	1071 HK	China	(87.7)	na	61.7	8.1	0.5	0.5	13.2	9.0	5.4	7.3
Huaneng Power	600011 CH	China	na	na	na	16.6	1.4	1.3	15.5	8.9	0.7	2.7
Cheung Kong Infrastructure	1038 HK	Hong Kong	4.2	9.2	14.9	13.7	1.1	1.1	41.1	39.5	4.9	5.1
China Power Int'l	2380 HK	Hong Kong	(79.8)	na	99.3	17.7	1.2	1.2	13.4	9.5	1.5	3.0
China Resources Power	836 HK	Hong Kong	(31.0)	84.7	14.4	7.8	0.9	0.9	8.3	6.2	3.1	5.0
CLP Holdings	2 HK	Hong Kong	(1.6)	8.1	18.1	16.8	1.7	1.7	11.1	10.6	3.9	4.0
Hongkong Electric Holdings	6 HK	Hong Kong	3.0	7.2	16.7	15.6	1.3	1.2	81.7	80.2	5.6	5.6
Huaneng Power	902 HK	Hong Kong	na	na	na	11.4	0.5	0.5	13.9	8.9	2.0	4.5
Tata Power	TPWR IN	India	17.6	34.7	47.3	35.1	3.3	3.3	14.8	15.1	0.7	0.8
Tenaga Nasional	TNB MK	Malaysia	11.6	(1.5)	10.7	10.8	0.9	0.9	6.3	6.2	6.0	6.0
YTL Corp	YTL MK	Malaysia	(68.4)	na	92.5	26.4	0.5	0.5	12.1	11.5	4.7	4.5
YTL Power	YTLP MK	Malaysia	47.4	(19.6)	11.4	14.2	0.4	0.4	10.3	10.6	5.9	6.6
Manila Electric	MER PM	Philippines	11.8	6.8	17.6	16.4	4.7	4.2	11.0	10.2	3.9	4.2
Absolute Clean Energy *	ACE TB	Thailand	9.8	26.4	22.6	17.9	2.6	2.3	17.0	15.0	1.8	2.2
BCPG Pcl *	BCPG TB	Thailand	(8.6)	20.6	18.0	14.9	1.5	1.4	14.6	11.5	2.5	2.5
B.Grimm Power Pcl *	BGRIM TB	Thailand	(1.4)	10.8	33.4	30.2	3.0	2.9	13.1	13.6	1.5	1.7
Banpu Power Pcl *	BPP TB	Thailand	10.2	12.4	14.0	12.4	1.2	1.2	201.5	151.9	4.3	4.8
CK Power Pcl *	CKP TB	Thailand	418.6	8.2	20.3	18.8	1.6	1.6	18.5	17.9	2.0	2.7
EA Pcl*	EA TB	Thailand	7.4	72.1	64.8	37.7	11.2	9.1	38.3	24.0	0.5	0.8
Electricity Generating *	EGCO TB	Thailand	6.7	7.7	9.3	8.6	0.9	0.8	17.4	16.9	3.7	3.9
Global Power Synergy *	GPSC TB	Thailand	(9.9)	57.7	31.9	20.2	2.0	1.9	17.4	14.1	2.0	3.0
Gulf Energy Dev. Pcl *	GULF TB	Thailand	88.0	37.4	68.8	50.0	9.0	8.4	47.7	37.4	0.9	1.2
Gunkul Engineering *	GUNKUL TB	Thailand	66.7	26.8	25.1	19.8	4.4	4.0	23.8	19.9	2.2	3.0
RATCH Group *	RATCH TB	Thailand	21.1	10.8	10.8	9.8	1.1	1.0	21.0	17.9	5.1	3.8
TPC Power Holding *	TPCH TB	Thailand	52.4	23.3	12.2	9.9	1.4	1.3	9.1	7.8	2.5	3.0
WHA Utilities & Power *	WHAUP TB	Thailand	47.9	24.5	13.5	10.8	1.3	1.2	30.5	26.0	4.5	5.6
Average			19.9	26.9	30.7	17.8	2.2	2.0	27.1	22.5	3.2	4.0

Sources: Bloomberg, * Thanachart estimates

Based on 17 February 2022 closing prices

COMPANY DESCRIPTION

Ratchaburi Electricity Generating Holding Plc (RATCH) is a subsidiary of the Electricity Generating Authority of Thailand (EGAT), which holds a 45% stake. RATCH has target to reach total capacity of 10GW by 2025F. RATCH has invested in several power projects overseas (Laos, Australia, and Indonesia) to offset slower growth in Thai power sector, and lately expanded into non-power infrastructure business like hospitals, motorways, and commuting sky train services.

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

- Operationally defensive. Predetermined tariffs over power plants' lives in PPAs generate fixed revenues and returns.
- Access to cheap financing sources due to low business risk and its trustworthy and renowned shareholder (EGAT).
- Low gearing allows opportunities for overseas M&As.

O — Opportunity

- Large power-expansion projects in Asian countries, both conventional and renewable power capacities.
- Diversification opportunities for LNG imports in ASEAN.

W — Weakness

- Conservative approach to changes in technological trends.

T — Threat

- Regulatory risk given more environmental concerns.
- Increasing worries about the environmental impact could raise investment costs.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	49.15	46.00	-6.4%
Net profit 21F (Bt m)	7,061	6,601	-6.5%
Net profit 22F (Bt m)	9,079	9,910	9.2%
Consensus REC	BUY: 5	HOLD: 4	SELL: 2

HOW ARE WE DIFFERENT FROM THE STREET?

- We believe deviations of our earnings forecasts in 2021-22F from the Bloomberg consensus numbers are due to the difference in fuel price assumptions and timing of new project CODs.
- Our TP is 6% lower than the street, likely from our higher fuel cost assumptions, and we are earlier in including share dilution impact into our valuations.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If the operations of its expansion projects and closing of M&A deals are delayed/faster than our projections, this would represent a downside/upside risk to our call.
- Stronger/weaker-than-expected surge in global fuel prices, especially coal and natural gas, is a downside/upside risk to our numbers.
- If RATCH could spend proceeds from its capital call to invest in larger capacity or higher profitability projects than we expect, it would create an upside risk to our valuation.
- If the baht were to strengthen/weaken beyond our assumptions, this would represent a downside/upside risk to our earnings forecasts.

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	38,364	34,206	38,793	43,234	42,890
Cost of sales	33,228	30,063	34,064	36,820	36,597
Gross profit	5,136	4,143	4,729	6,414	6,294
% gross margin	13.4%	12.1%	12.2%	14.8%	14.7%
Selling & administration expenses	1,596	1,601	1,628	1,730	1,806
Operating profit	3,540	2,542	3,100	4,684	4,488
% operating margin	9.2%	7.4%	8.0%	10.8%	10.5%
Depreciation & amortization	1,528	1,833	2,222	2,456	2,350
EBITDA	5,068	4,374	5,323	7,140	6,838
% EBITDA margin	13.2%	12.8%	13.7%	16.5%	15.9%
Non-operating income	617	716	705	717	1,017
Non-operating expenses	0	0	0	0	0
Interest expense	(1,430)	(1,551)	(1,964)	(2,079)	(1,634)
Pre-tax profit	2,728	1,706	1,841	3,322	3,870
Income tax	870	528	552	996	1,161
After-tax profit	1,858	1,178	1,289	2,325	2,709
% net margin	4.8%	3.4%	3.3%	5.4%	6.3%
Shares in affiliates' Earnings	4,177	4,273	5,312	8,003	8,868
Minority interests	(0)	(0)	(0)	(418)	(447)
Extraordinary items	(72)	836	0	0	0
NET PROFIT	5,963	6,287	6,601	9,910	11,130
Normalized profit	6,035	5,451	6,601	9,910	11,130
EPS (Bt)	3.9	4.1	4.3	4.8	5.0
Normalized EPS (Bt)	3.9	3.5	4.3	4.8	5.0

Upcoming acquisitions help sustaining an earnings base

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	20,480	18,485	18,857	19,686	19,621
Cash & cash equivalent	9,369	8,614	8,500	8,500	8,500
Account receivables	5,278	4,982	5,314	5,923	5,875
Inventories	1,880	1,783	1,867	2,018	2,005
Others	3,953	3,106	3,177	3,246	3,240
Investments & loans	36,082	43,387	51,783	79,657	81,531
Net fixed assets	24,108	29,479	34,857	33,463	32,862
Other assets	19,560	18,752	19,127	19,510	19,900
Total assets	100,229	110,103	124,624	152,315	153,915
LIABILITIES:					
Current liabilities:	7,574	6,877	13,316	11,846	11,787
Account payables	5,614	4,801	5,600	6,053	6,016
Bank overdraft & ST loans	603	60	70	57	48
Current LT debt	1,092	1,604	4,893	3,942	3,311
Others current liabilities	265	412	2,753	1,794	2,412
Total LT debt	30,441	40,106	44,038	35,476	29,799
Others LT liabilities	2,801	2,597	3,702	4,126	4,093
Total liabilities	40,816	49,581	61,056	51,448	45,679
Minority interest	1	1	1	418	865
Preferreds shares	0	0	0	0	0
Paid-up capital	14,500	14,500	14,500	22,192	22,192
Share premium	1,532	1,532	1,532	24,609	24,609
Warrants	0	0	0	0	0
Surplus	(8,871)	(10,547)	(10,547)	(10,547)	(10,547)
Retained earnings	52,252	55,036	58,081	64,194	71,116
Shareholders' equity	59,413	60,521	63,567	100,449	107,371
Liabilities & equity	100,229	110,103	124,624	152,315	153,915

Capital call opens room to invest further

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	2,728	1,706	1,841	3,322	3,870
Tax paid	(954)	(532)	(551)	(997)	(1,160)
Depreciation & amortization	1,528	1,833	2,222	2,456	2,350
Chg In working capital	(245)	(420)	383	(306)	23
Chg In other CA & CL / minorities	3,931	4,281	7,287	6,976	9,490
Cash flow from operations	6,988	6,868	11,183	11,450	14,572
Capex	(5,609)	(6,876)	(7,269)	(713)	(1,400)
Right of use	0	0	0	0	0
ST loans & investments	(2,006)	693	0	0	0
LT loans & investments	(223)	(7,305)	(8,396)	(27,874)	(1,874)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	3,929	3,134	(1,336)	(309)	(773)
Cash flow from investments	(3,908)	(10,354)	(17,002)	(28,895)	(4,047)
Debt financing	(1,149)	9,939	7,231	(9,527)	(6,317)
Capital increase	0	0	0	30,769	0
Dividends paid	(3,480)	(3,480)	(3,555)	(3,797)	(4,208)
Warrants & other surplus	(3,006)	(1,699)	0	0	0
Cash flow from financing	(7,635)	4,760	3,676	17,445	(10,525)
Free cash flow	1,379	(8)	3,913	10,738	13,172

Huge series of capex spending to replace its expiring plants

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	11.8	13.1	10.8	9.8	9.3
Normalized PE - at target price (x)	11.7	13.0	10.7	9.7	9.2
PE (x)	12.0	11.4	10.8	9.8	9.3
PE - at target price (x)	11.8	11.2	10.7	9.7	9.2
EV/EBITDA (x)	18.6	23.9	21.0	17.9	18.7
EV/EBITDA - at target price (x)	18.4	23.7	20.9	17.7	18.5
P/BV (x)	1.2	1.2	1.1	1.0	1.0
P/BV - at target price (x)	1.2	1.2	1.1	1.0	1.0
P/CFO (x)	10.2	10.4	6.4	8.5	7.1
Price/sales (x)	1.8	2.0	1.7	1.6	1.6
Dividend yield (%)	4.9	4.9	5.1	3.8	4.3
FCF Yield (%)	1.9	(0.0)	5.5	11.1	12.8
(Bt)					
Normalized EPS	3.9	3.5	4.3	4.8	5.0
EPS	3.9	4.1	4.3	4.8	5.0
DPS	2.3	2.3	2.4	1.8	2.0
BV/share	38.7	39.4	41.4	45.3	48.4
CFO/share	4.6	4.5	7.3	5.5	6.6
FCF/share	0.9	(0.0)	2.5	5.2	5.9

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	(2.9)	(10.8)	13.4	11.5	(0.8)
Net profit (%)	6.7	5.4	5.0	50.1	12.3
EPS (%)	6.7	5.4	5.0	10.8	5.3
Normalized profit (%)	(0.2)	(9.7)	21.1	50.1	12.3
Normalized EPS (%)	(0.2)	(9.7)	21.1	10.8	5.3
Dividend payout ratio (%)	58.4	55.4	55.0	40.0	40.0
Operating performance					
Gross margin (%)	13.4	12.1	12.2	14.8	14.7
Operating margin (%)	9.2	7.4	8.0	10.8	10.5
EBITDA margin (%)	13.2	12.8	13.7	16.5	15.9
Net margin (%)	4.8	3.4	3.3	5.4	6.3
D/E (incl. minor) (x)	0.5	0.7	0.8	0.4	0.3
Net D/E (incl. minor) (x)	0.4	0.5	0.6	0.3	0.2
Interest coverage - EBIT (x)	2.5	1.6	1.6	2.3	2.7
Interest coverage - EBITDA (x)	3.5	2.8	2.7	3.4	4.2
ROA - using norm profit (%)	6.0	5.2	5.6	7.2	7.3
ROE - using norm profit (%)	10.1	9.1	10.6	12.1	10.7
DuPont					
ROE - using after tax profit (%)	3.1	2.0	2.1	2.8	2.6
- asset turnover (x)	0.4	0.3	0.3	0.3	0.3
- operating margin (%)	10.8	9.5	9.8	12.5	12.8
- leverage (x)	1.7	1.8	1.9	1.7	1.5
- interest burden (%)	65.6	52.4	48.4	61.5	70.3
- tax burden (%)	68.1	69.0	70.0	70.0	70.0
WACC (%)	6.2	6.2	6.2	6.2	6.2
ROIC (%)	3.0	2.1	2.3	3.2	2.4
NOPAT (Bt m)	2,411	1,755	2,170	3,279	3,141
invested capital (Bt m)	82,180	93,678	104,068	131,424	132,028

Sources: Company data, Thanachart estimates

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