BUY (Unchanged) | **TP: Bt 138.00** (Unchanged) | **11 MAY 2022**

Company Update | **Upside : 34.6%**

Carabao Group Pcl (CBG TB)

Growth and quality

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Thanachart Securities

We argue that CBG offers compelling value after considering both its earnings growth and quality factors. Having factored in higher raw material costs, we estimate 44/30% EPS growth and 37/41% ROE in 2022-23F. The stock trades on 25x PE vs. its past-7-year average PE of 35x and ROE of 24%. Reaffirm BUY with TP of Bt138.

A stock with growth and quality

We reaffirm BUY on CBG with a TP of Bt138. The stock is trading at a PE of 25x, vs. its 35x past-7-year average, while having solid EPS growth prospects of 44/30% and, despite being a manufacturing company, a higher base of ROE at 37/40% in 2022-23F vs. its 7-year average ROE of 24%. Key growth factors are an export turnaround, rising distribution income, growing bottle sales, market-share gains and operating leverage. ROE factors are higher asset utilization for bottle production, distribution vans and its sales team. This is after its previous ROE boost phase from insourcing its canned production in 2019.

Spirit business a structural factor

Spirit-related income accounted for 17% of CBG's EBIT in 2021 and we estimate it to rise to 21% in 2024F. CBG doesn't own the spirit business but earns income via distribution income and glass bottle sales. The spirit business is owned by CBG's major shareholder's family. Industry growth is organic but the family's business looks to be in structural growth mode on market-share gains. The family entered the market as the No.2 player in the near monopolistic market in 2017 and it still has only a 10% market share in its focus segment. There is still plenty of room to gain share in the next several years and the family plans to continue using CBG to distribute its products. Near-term positives are spirit price hikes in 2Q22 and three new products in 2H22.

Market share gains of energy drinks

CBG believes it is gaining market share in the Thai energy drink market after the largest player Osotspa Pcl (OSP TB, Bt33.5, SELL) raised its M150 drink price to Bt12 from Bt10 per bottle in March. In 1Q22, CBG's Thai energy drink sales fell only 3% y-y vs. the 7% industry sales drop. We expect a full quarter of market share gain from 2Q22F. We estimate CBG's energy drink sales growth at 13% this year, vs. industry growth of 5%.

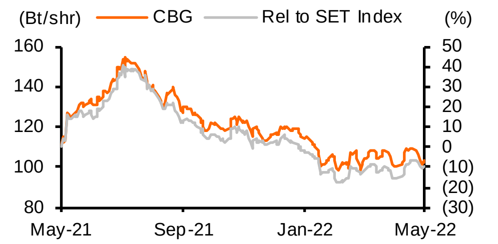
A series of quarterly catalysts

We expect improving quarterly momentum all through this year. Despite an average USD2,900/tonne aluminum price in 1Q22, vs. USD2,600 in 4Q21, we estimate CBG's 1Q22F earnings to still grow by 8% q-q to Bt670m. Drivers are resumed export growth to Myanmar and continued growth from spirit distribution and bottle sales. In 2Q22F, CBG foresees a resumption of strong post-lockdown orders from Cambodia and China with market-share gains in Thailand. In 3Q22F, we see a chance for the aluminum price to fall further from the current Russia-Ukraine war-driven price of USD2,900. Also, in 3Q-4Q22F, CBG expects three new products of its own and more distribution income from its existing clients' new products and from a new sizeable distribution client.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	17,364	23,524	27,506	29,348
Net profit	2,881	4,058	5,275	5,864
Consensus NP	—	3,312	3,857	4,369
Diff frm cons (%)	—	*22.5*	*36.8*	*34.2*
Norm profit	2,816	4,058	5,275	5,864
Prev. Norm profit	—	4,058	5,294	5,906
Chg frm prev (%)	—	*0.0*	*(0.4)*	*(0.7)*
Norm EPS (Bt)	2.8	4.1	5.3	5.9
Norm EPS grw (%)	(19.8)	44.1	30.0	11.2
Norm PE (x)	36.4	25.3	19.4	17.5
EV/EBITDA (x)	27.0	19.2	14.9	13.4
P/BV (x)	10.0	8.6	7.2	6.4
Div yield (%)	1.9	2.6	3.4	4.3
ROE (%)	27.9	36.6	40.3	38.7
Net D/E (%)	53.1	34.7	15.7	7.1

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 11-May-22 (Bt)	102.50
Market Cap (US$ m)	2,960.5
Listed Shares (m shares)	1,000.0
Free Float (%)	28.7
Avg Daily Turnover (US$ m)	19.6
12M Price H/L (Bt)	154.50/98.50
Sector	FOOD
Major Shareholder	Sathientham Holding 25%

Sources: Bloomberg, Company data, Thanachart estimates

Reaffirming BUY

Our TP is Bt138

We reaffirm our BUY call on shares of Carabao Group Pcl (CBG) as we argue that the stock offers compelling value after taking into account both its earnings growth and quality factors vs. its current valuation level. Our DCF-based 12-month TP, using a 2022F base year, is at Bt138/share.

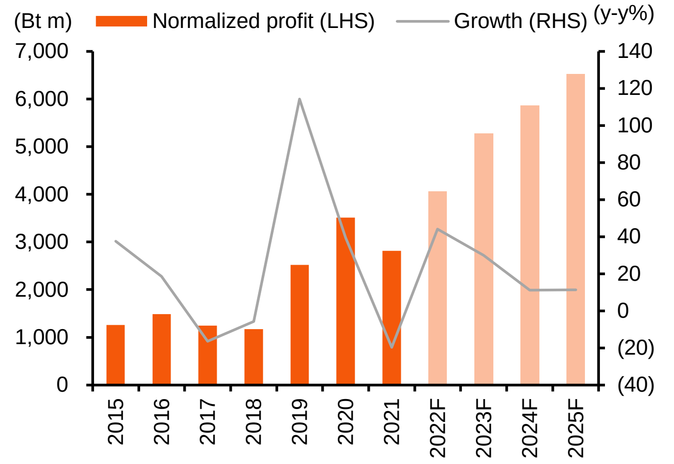
44/30% EPS growth and 37/40% ROE in 2022-23F

We estimate CBG's earnings to grow by 44/30% in 2022-23F with ROE rising to 37/40% in 2022-23F despite it being a manufacturing company. Key earnings growth drivers are a turnaround in the export of energy drinks, rising distribution income, growing bottle sales, domestic energy drink market-share gains and the operating leverage effect. Key ROE-driving factors are high-margin products and higher asset utilization of bottle production, distribution vans and its sales team. We discuss CBG's growth and ROE factors in the next section of this report.

On a lower PE despite strong growth and a higher ROE base than before

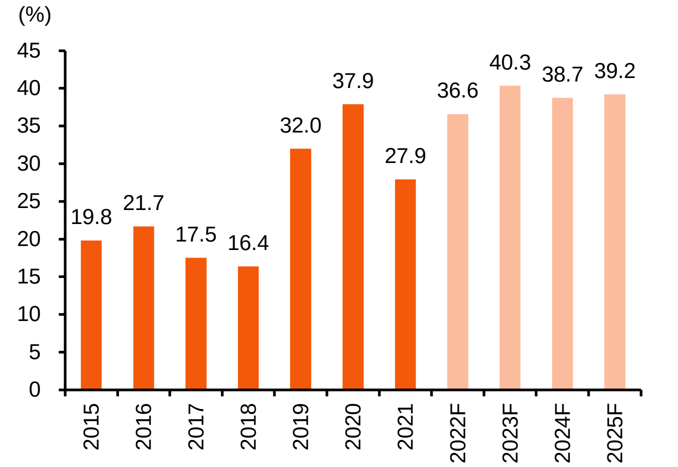
With its earnings growth and high ROE level, we argue that CBG is inexpensive. The stock is trading on a 2022F PE of 25x which is lower than its seven-year average of 35x. Our ROE estimates of 37/40% in 2022-23F are also higher than its 27% seven-year historical average.

Ex 1: A Growth Company



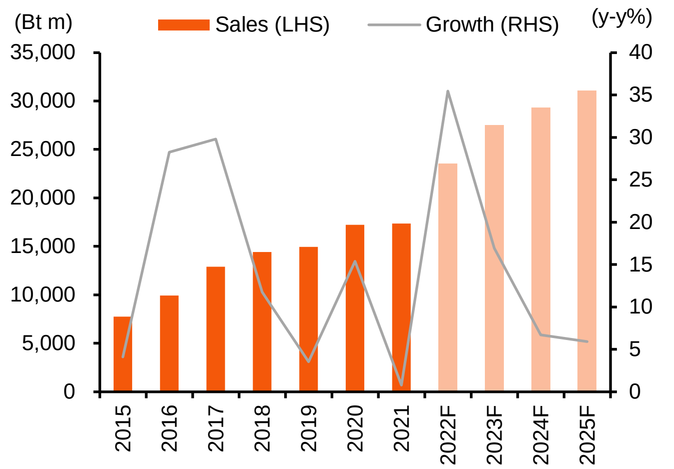
Sources: Company data, Thanachart estimates

Ex 2: A High ROE Company



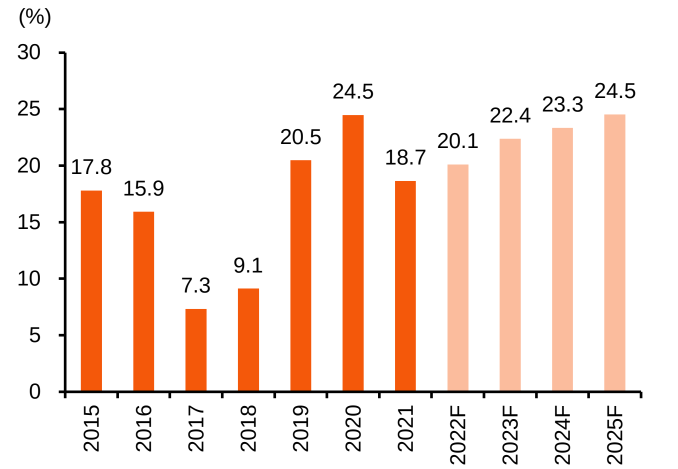
Sources: Company data, Thanachart estimates

Ex 3: Sales Growth



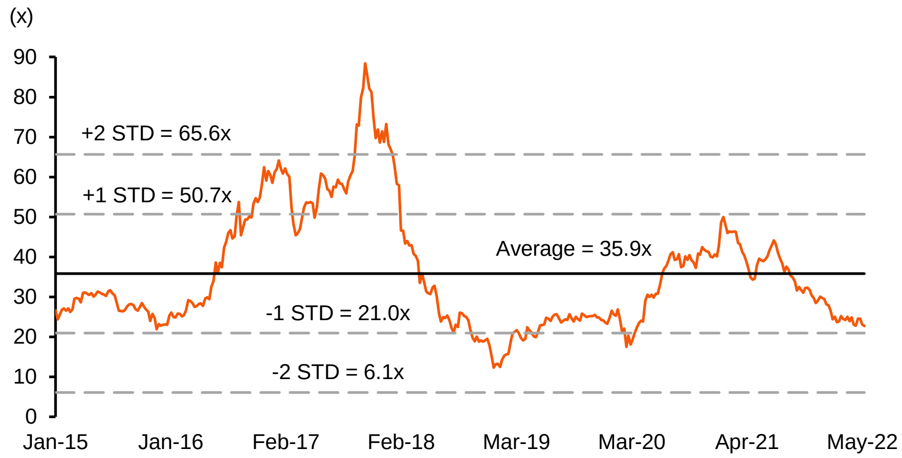
Sources: Company data, Thanachart estimates

Ex 4: EBIT Margin Expansion



Sources: Company data, Thanachart estimates

Ex 5: Past-7-Year PE STD Band



Sources: Bloomberg, Thanachart estimates

Ex 6: Our Key Assumptions

(in Bt m)	2019	2020	2021	2022F	2023F	2024F
Revenues (% growth)	**4**	**15**	**1**	**35**	**17**	**7**
Domestic energy drinks	6,068	5,764	5,383	6,076	6,728	6,930
% growth	(0.5)	(5.0)	(6.6)	12.9	10.7	3.0
Domestic other drinks *	0	220	308	385	443	487
% growth	na	na	40	25	15	
Distribution **	1,408	2,414	3,568	6,066	7,885	8,516
% growth	38	72	48	70	30	8
Bottle OEM **	0	293	670	1,139	1,481	1,599
% growth	na	na	129	70	30	
Export energy drinks	6,955	8,098	6,985	9,387	10,511	11,363
% growth	8	16	(14)	34	12	8
- CLMV	6,073	6,875	5,660	7,869	8,754	9,468
% growth	11	13	(18)	39	11	
- China	478	385	731	892	1,070	1,177
% growth	0	(19)	90	22	20	10
Others	404	838	594	627	687	718
% growth	0	107	(29)	6	10	5
Others	608	443	504	543	543	543
% growth	(25)	(27)	14	8	0	0
Gross margin (%)	38.9	41.0	35.6	33.1	33.8	34.2
SG&A to sales (%)	18.4	16.5	17.0	13.0	11.4	10.9
EBIT margin (%)	20.5	24.5	18.7	20.1	22.4	23.3

Sources: Company data, Thanachart estimates
Note: * * Includes C+ Lock and other drinks
** Mainly for spirit products

Ex 7: 12-month DCF-based TP Calculation Using A Base Year Of 2022F

(Bt m)		2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA		5,514	6,960	7,702	8,414	9,229	10,198	11,065	11,837	12,665	13,554	13,999	—
Free cash flow		3,697	5,325	5,164	7,185	7,956	8,827	9,646	10,326	11,052	11,831	12,253	215,244
PV of free cash flow		3,687	4,554	4,082	5,251	5,376	5,554	5,618	5,567	5,516	5,466	5,239	82,176
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	8.2												
Terminal growth (%)	2.0												
Enterprise value - add investments	143,345												
Net debt (2021)	5,370												
Minority interest	(99)												
Equity value	138,074												
# of shares (m)	1,000												
Equity value/share (Bt)	**138.00**												

Sources: Company data, Thanachart estimates

Growth factors

We continue to regard CBG as a growth stock despite the 2021 hiccup from lockdowns in its key markets. Key growth drivers for CBG are highlighted below.

Growing exports

Energy drink exports have been one of the main growth drivers for CBG albeit with a hiccup in 2021 from lockdowns in its key markets. Export sales rose from 30% in 2015 to 56% in 2021. We expect the proportion to rise to 61/61/62% in 2022-24F. This year the turnaround started in 1Q22F and we expect CBG's long-term growth trajectory to resume.

Cambodia to turn around from 2021 hiccup but no more market share gains

Exhibit 10 shows CBG's top three key export targets. CBG is already the largest player in Cambodia with an 80%-plus market share after 31% p.a. growth in 2014-21. The success there has been due to CBG's aggressive marketing strategies where buyers have a chance to receive a free drink or win big prizes such as gold necklaces and motorcycles. This year we expect Cambodia to turn around with 25% sales growth after its lockdown hiccup of a 21% fall in sales in 2021. Longer term, we estimate market growth at only 3-4% p.a.

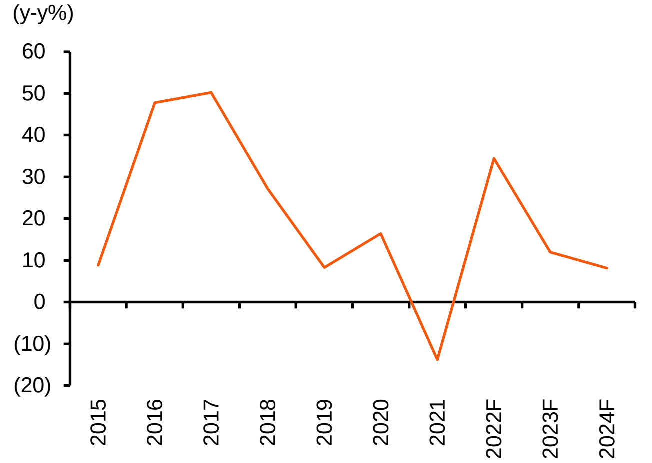
Cambodian success is being replicated in Myanmar

With its already substantial market share in Cambodia, CBG has switched to focus on Myanmar. In 2019, it adopted its successful prize-based marketing strategy used in Cambodia in Myanmar. CBG then saw its market share there increase from 13% in 2019 to around 30% in 2020. That was approaching the level of the market leader Osotspa Pcl (OSP TB, Bt33.5, SELL). However, the hiccups from the coup and lockdowns in 2021 resulted in difficulties in exporting into the country and CBG saw its market share fall to 24% while OSP, which has a factory in Myanmar, regained market share, with its portion rising to 36%. With the hiccups easing, CBG started to see a strong resumption of sales growth in Myanmar in 1Q22F. We estimate 70% sales growth in Myanmar in 2022F which would represent a turnaround from the 21% drop in 2021. We also note that the Myanmar market has been growing at over 10% p.a. and see it continues to grow strongly due to the low penetration rate of energy drinks.

China market looks set to grow from a very low base

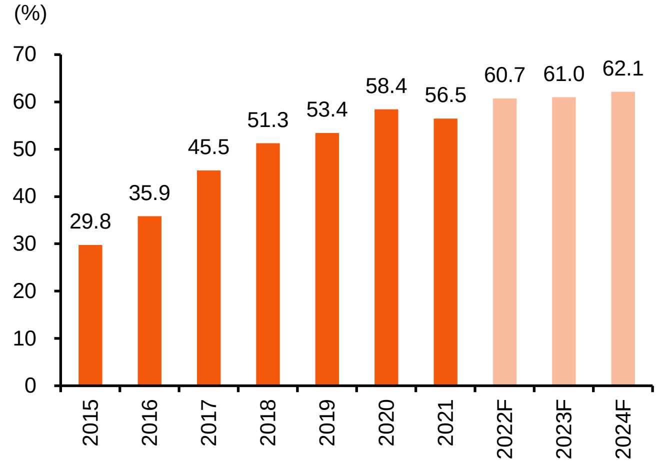
China is also a key long-term target for CBG. It hasn't been successful there yet but downside also looks limited as the base is very low. CBG entered China in 2017 and sales have been volatile at only 50-70m units a year. CBG started to gain traction with its new business strategy in China in 1H21 that saw sales of 130m units but that came down to nearly nothing in 2H21 with lockdowns in provinces where CBG's products were sold. Now that the latest lockdowns are not in the areas CBG is heavily exposed to, CBG has seen strong orders from China in 2Q22. We estimate exports to China at 210/252/277m units in 2022-24F.

Ex 8: Exports In A Structural Growth Trend



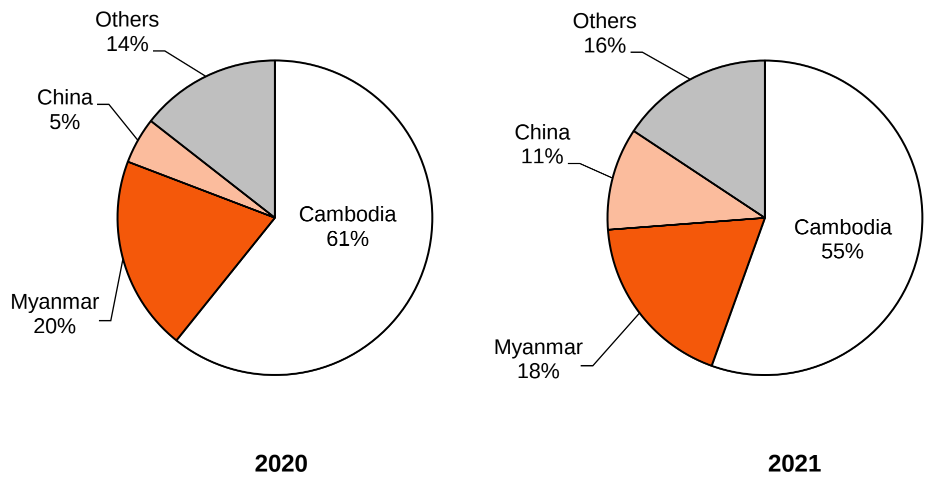
Sources: Company data, Thanachart estimates

Ex 9: Exports Growing As A Proportion Of Sales



Sources: Company data, Thanachart estimates

Ex 10: Export Breakdown With 2021 Lockdown Hiccup



Sources: Company data, Thanachart estimates

Spirit business growth is structural

Spirit business contributes a large part of CBG's EBIT

Spirit-related income started in 2017 at 7% of CBG's EBIT and it rose to 17% in 2021. We estimate it to rise to 21% in 2024F. CBG doesn't own the spirit business but earns income via its distribution service and glass bottle sales. The spirit business is owned by its major shareholder's family. We expect this income to continue to grow in a structural growth trend driven by market share gains of its family's spirit business.

The business is in a structural growth stage from market share gains

The family entered the spirits industry in 2017. At that time, the industry was a near monopolistic market with only one dominant commercial player. The family's spirit business has become the second-largest player but it still only has a 10% market share. Plenty of room remains to gain further market share and the family plans to continue using CBG to distribute its products. CBG has also contributed to the family's market penetration success. CBG, running its own distribution business, is the only beverage player with in-house distribution vans and a sales team with strong market insights. Most of the other players use third-party distribution services.

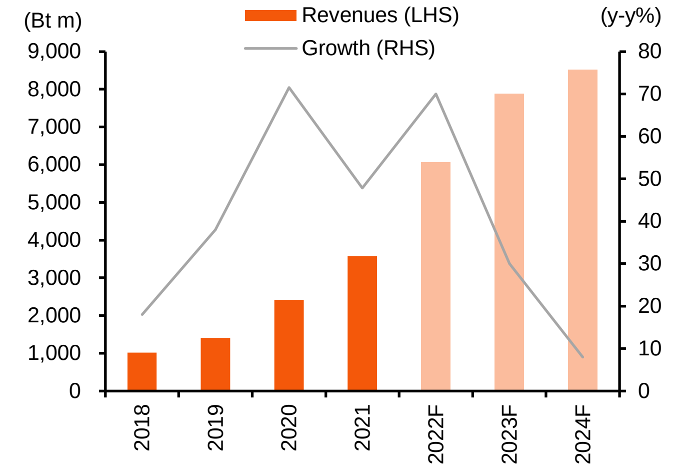
Short-term catalysts

Exhibit 11 shows spirits distribution income growing swiftly from a low base. Short-term catalysts are a spirits price increase in 2Q22 which should be positive for CBG as it charges distribution income as a percentage of product selling prices. In addition, the family's business expects to have three new product launches in 2H22.

CBG also earns from glass bottle sales

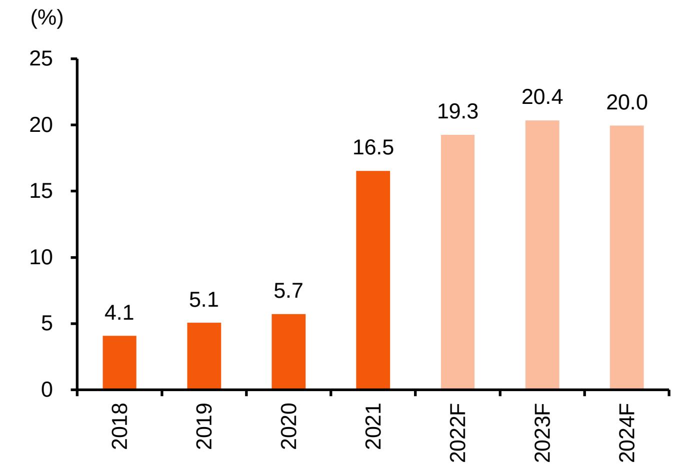
Apart from distribution income, CBG also sells glass bottles to the spirits business. The more spirits it sells, the more bottles CBG can sell. Bottle sales stood at Bt670m, or 4% of total sales in 2021, and we expect sales to rise further to Bt7m in 2024F.

Ex 11: Spirit-related Income In A Structural Growth Trend



Sources: Company data, Thanachart estimates

Ex 12: It Contributes A More Significant Part Of EBIT



Sources: Company data, Thanachart estimates

Domestic market share gains

Main rival has raised its product price

CBG expects to gain market share from its rival OSP after OSP raised the price of its key energy drink M150 to Bt12 from Bt10 per bottle. CBG has maintained the price of its Carabao Daeng energy drink at Bt10. The price increase by OSP took place in March and CBG has seen its market share starting to rise. We discussed this move in more detail in *Thailand Energy Drink Sector- Game theory, dated 21 March 2022*.

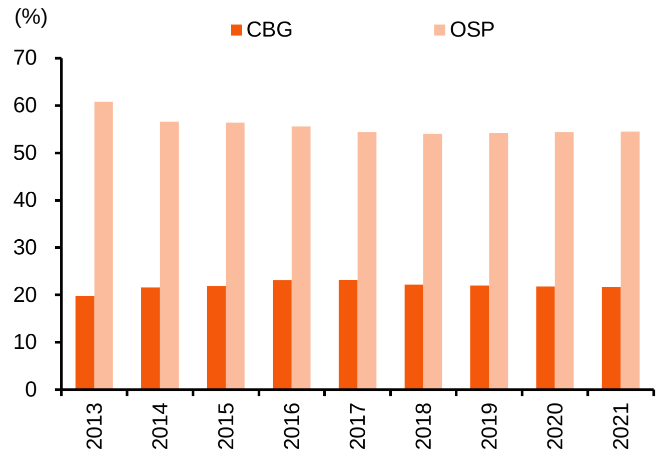
CBG has maintained its price and expects to gain market share

CBG believes that Thai energy drink consumers are mainly in the low-income segment and they are highly sensitive to prices, especially during the weak economic environment. We also see CBG as a company that assigns a high value to market share gains. CBG expects long-term scale benefits to help it to adopt more expensive, better marketing activities and promotional campaigns. Also, having a larger client base helps when CBG launches new products and this this is one of CBG's main growth strategies from this year onward.

We forecast 13% growth for CBG vs. 5% industry growth this year

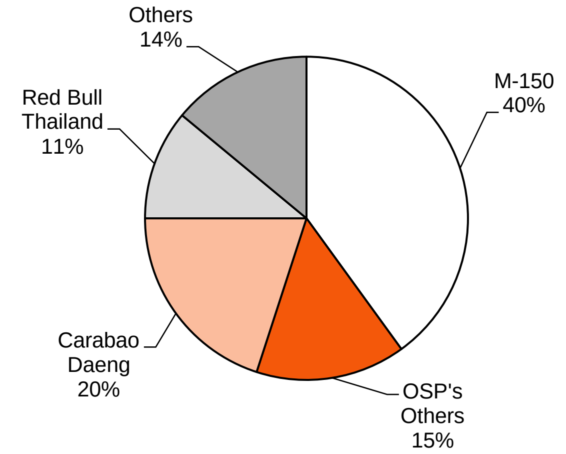
We believe CBG has started gaining some market share, say, around 1%, as its domestic energy drink sales fell by only 3% y-y in 1Q22 vs. a 7% industry sales drop. In March, OSP only raised its price in some areas while the overall price increase was implemented in 2Q22. We forecast CBG's domestic energy drink sales to grow 13% this year vs. 5% industry growth. Note that the industry suffered a 7% drop in sales in 2021 due to lockdowns. We also note that the Thai domestic energy drink industry is a saturated market with limited growth. This year growth is just a turnaround from the low base in 2021 after many COVID waves and the lockdown impact. Longer term we expect only 1-2% p.a. growth.

Ex 13: CBG's Market Share Vs. OSP's



Sources: Company data, Thanachart compilation

Ex 14: Energy Drink Market Share Breakdown



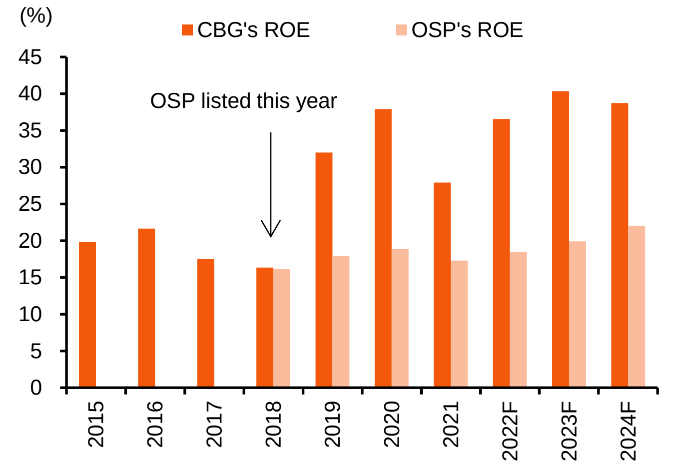
Source: Company data

ROE factors

A highly efficient manufacturing company with a 37% ROE in 2022F

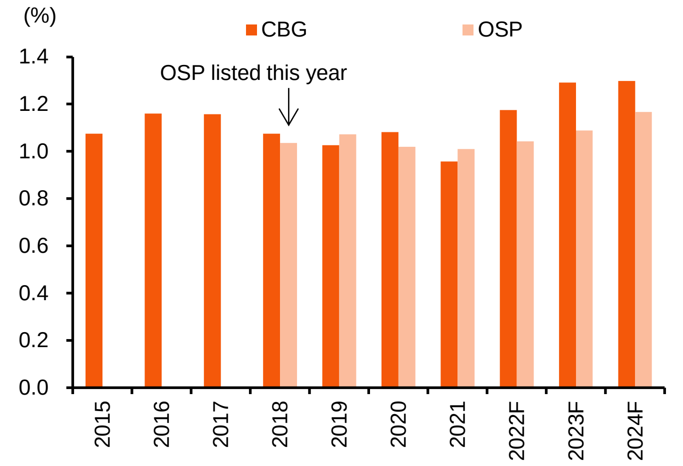
CBG is a highly efficient company with a high ROE level for a manufacturing company. We believe the contributing factors to this are a large portion of high-margin export sales, high efficiency caused by high utilization, and the sizeable scale of its canned and bottle production facilities along with efficient use of its cash van distribution fleet. At an ROE base of 37% in 2022F, we consider this as highly profitable for a manufacturing-based company and also in comparison to its main rival OSP's 19%. OSP is a much older company with less efficient asset utilization and it has a lower portion of high-margin export sales at only 2316% compared to CBG's 57% in 2021.

Ex 15: A Highly Profitable Company



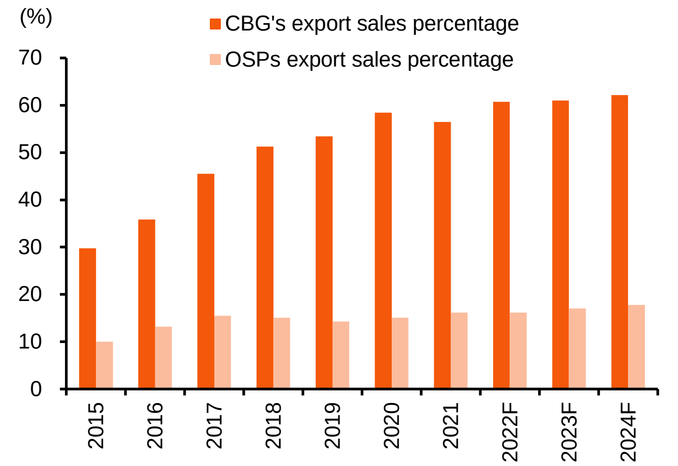
Sources: Company data, Thanachart estimates

Ex 16: High Asset Turnover Ratio



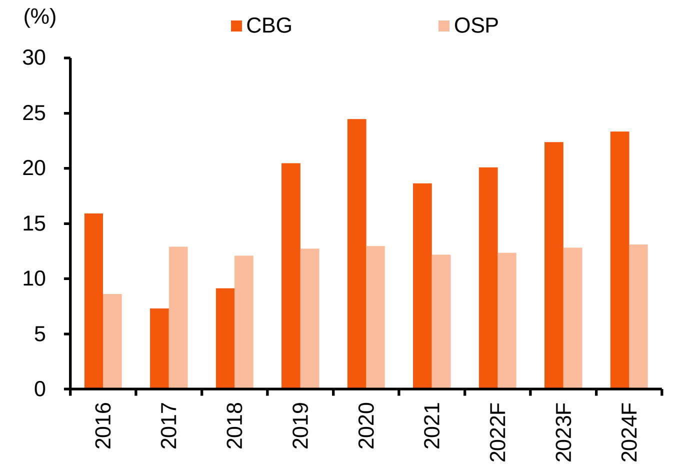
Sources: Company data, Thanachart estimates

Ex 17: High Portion Of Higher-margin Export Sales



Sources: Company data, Thanachart estimates

Ex 18: EBIT Margin



Sources: Company data, Thanachart estimates

Higher margin from exports

As for the product margin factor, exports on average have a EBIT margin than domestic energy drink product sales despite CBG realizing similar wholesales prices. That is because distributors are responsible for the marketing and promotional expenses of exports as opposed to the domestic business where CBG covers the expenses. At a similar wholesales price, the export retail price range of Bt20-30 per unit is higher than the domestic price of Bt10/bottle and it provides sizable income for CBG's distributors.

Hefty cost savings from insourcing can and bottle production

As for asset utilization, CBG is operating its assets quite efficiently. First of all, it has one big can production plant for export products rather than many smaller plants. CBG started to insource its can production in late 2018. We estimate cost savings of Bt640m p.a. compared to when it had to outsource can production in the past. The capacity has been taken up fast on strong export sales. CBG is debottlenecking its production lines to squeeze out some more capacity and it is running at over 80% capacity. The company is deciding whether to add another production line in the next one or two years. Note that the production needs around 30% capacity for breakeven so CBG needs to see a strong export outlook first before increasing capacity. CBG's factory still has space to accommodate another production line.

As for domestic energy drinks, CBG has been making bottles in-house. Prior to selling bottles to the family business, CBG only made bottles for its own energy drink products and it operated at a only over 50% utilization rate. CBG started to sell bottles to the family business and this helped raise the factory's utilization to over 70% in 2021. We note that CBG needs to keep the bottle furnace running nonstop regardless of the bottles that it sells because of the technical specifications of the furnace. Therefore, CBG's bottle sales generate income without additional fixed expenses, thereby helping boost ROE.

Distribution assets are utilized well

CBG also runs its own distribution business with over 300 cash vans in its fleet. We estimate utilization is around 70%. CBG claims that it covers 90% of the traditional trade market. We believe it makes sense for CBG to run its own distribution because its major shareholder's family has many businesses that utilize CBG's distribution assets. We already discussed the spirits business earlier in this report from which CBG earns distribution income. The family also owns two major convenience chain stores, CJ Mart and Took Dee (or Very cheap in Thai), targeting provincial areas. The convenience-store business also makes some use of CBG's distribution service.

Series of quarterly catalysts

We foresee improving quarterly earnings momentum this year

This year, we expect improving quarterly momentum all year for CBG.

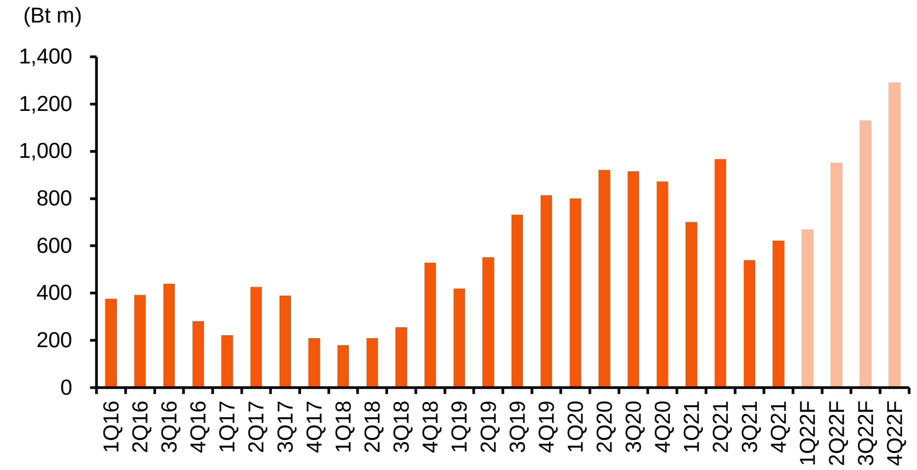
1Q22F: We forecast CBG's earnings at Bt670m, an 8% q-q increase, despite an average USD2,900/tonne aluminum price in 1Q22, vs. USD2,600 in 4Q21. Drivers are resumed export growth to Myanmar and very strong growth from spirit distribution and bottle sales.

2Q22F: CBG expects a resumption of strong orders from Cambodia and China after lockdowns end. Orders are on the back of both pent-up demand and distributors restocking after abnormally low orders during the lockdowns since 3Q21. Also, CBG should enjoy a full quarter of domestic energy drink market share gains.

3Q-4Q22F: CBG plans to launch around three new products of its own branded products while it should earn more distribution income and sell more bottles as its spirit clients are planning to launch more products as well. Also, CBG is looking to acquire a new, sizable distribution client.

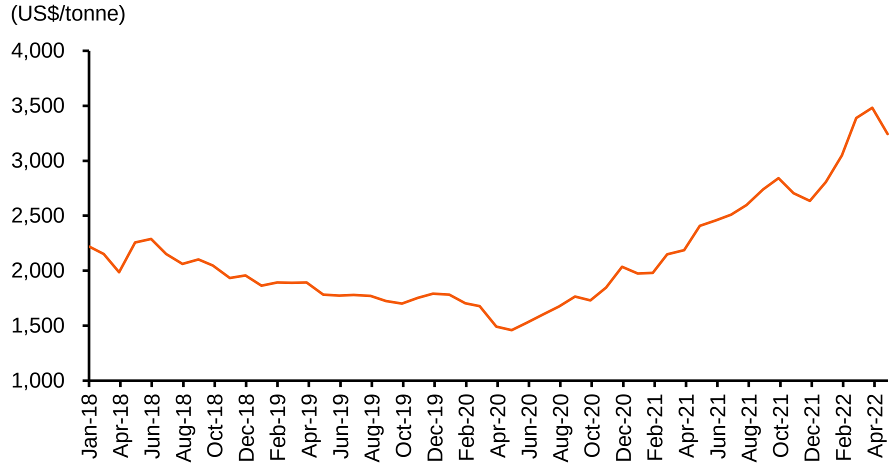
On top of this is we foresee a continued softening trend for aluminum prices. The aluminum price has fallen by 28% from its peak this year amid the Russia-Ukraine war supply panic (Russia is a key aluminum exporter) to USD2,800/tonne currently. Note that despite the sharp fall, the aluminum price was only at 1,500-2,500 from 2015 to 2019. The price surge started with the rapid global reopening in 2021. A further spike took place due to fears of a supply shortage amid the Russia-Ukraine conflict. Our model factors in an aluminum price assumption of USD3,500 this year.

Ex 19: Quarterly Earnings Momentum



Sources: Company data, Thanachart estimates

Ex 20: Aluminum Price



Source: Bloomberg

Valuation Comparison

Ex 21: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div yield 22F (%)	Div yield 23F (%)
Yakult Honsha	2267 JP	Japan	11.5	4.1	24.3	23.4	2.5	2.3	13.5	12.9	1.1	1.2
Coca-Cola	KO US	US	6.4	7.8	25.9	24.1	10.3	10.4	22.8	21.2	2.7	2.8
PepsiCo	PEP US	US	6.1	9.0	25.8	23.7	12.3	11.3	18.0	16.7	2.6	2.8
Monster Beverage	MNST US	US	6.5	17.3	30.7	26.2	6.4	5.8	21.3	18.6	0.0	0.0
Sappe PCL	SAPPE TB	Thailand	9.0	13.8	21.5	18.9	3.1	2.9	10.5	9.5	2.9	3.4
Carabao Group PCL*	CBG TB	Thailand	44.1	30.0	25.3	19.4	8.6	7.2	19.2	14.9	2.6	3.4
Osotspa PCL*	OSP TB	Thailand	9.1	8.6	27.3	25.1	5.0	5.0	19.5	17.5	3.7	4.0
Average			**13.2**	**12.9**	**25.8**	**23.0**	**6.9**	**6.4**	**17.8**	**15.9**	**2.2**	**2.5**

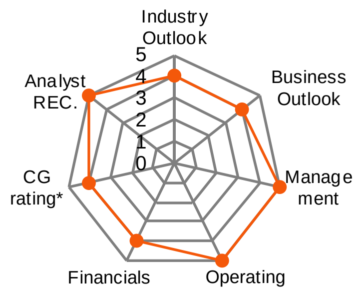
Sources: Company data, Thanachart estimates
Note: * Thanachart estimates, using normalized EPS.
Based on 11-May-22 closing prices

COMPANY DESCRIPTION

Carabao Group Pcl (CBG) is Thailand's second-largest energy drinks producer with a 22% market share. The company holds 100% stakes in three subsidiaries: CBD (energy drinks manufacturing company), APG (glass bottle production and procurement company), and DCM (distribution company). CBG started producing energy drinks in 2002 and now sells its products both domestically and abroad.

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 presence in the domestic beverage market.
- Robust balance sheet.
- Proactive management team.

W — Weakness

- Only organic growth in a mature beverage market.
- Lack of pricing power.
- Heavily reliant on brand ambassador.

O — Opportunity

- Expansions abroad.
- Mergers and acquisitions.

T — Threat

- Domestic consumption and economic conditions.
- New competition in the beverage segment.
- Natural disasters.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	112.54	138.00	23%
Net profit 22F (Bt m)	3,312	4,058	23%
Net profit 23F (Bt m)	3,857	5,275	37%
Consensus REC	**BUY: 7**	**HOLD: 7**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F earnings are 23-37% ahead of the Bloomberg consensus numbers, which we attribute to us having a more aggressive view on its growth in China and a decent recovery in the Cambodia and Myanmar markets.
- Our DCF-based TP of Bt138 is the highest on the street.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Lower-than-expected growth in domestic sales and exports would represent the key downside risks to our earnings forecasts and TP.
- Lower-than-expected sales growth in the Myanmar and Vietnam markets would pose a secondary downside risk to our earnings forecasts.

Source: Thanachart

We project gross margins to rise over 2022-24F

We expect 44% EPS growth in 2022F

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	17,231	17,364	23,524	27,506	29,348
Cost of sales	10,173	11,181	15,741	18,205	19,297
Gross profit	**7,058**	**6,183**	**7,783**	**9,301**	**10,052**
% gross margin	41.0%	35.6%	33.1%	33.8%	34.2%
Selling & administration expenses	2,840	2,945	3,057	3,148	3,204
Operating profit	**4,218**	**3,239**	**4,727**	**6,153**	**6,848**
% operating margin	24.5%	18.7%	20.1%	22.4%	23.3%
Depreciation & amortization	668	753	823	852	901
EBITDA	**4,886**	**3,992**	**5,549**	**7,005**	**7,749**
% EBITDA margin	28.4%	23.0%	23.6%	25.5%	26.4%
Non-operating income	101	141	190	222	237
Non-operating expenses	0	0	0	0	0
Interest expense	(107)	(89)	(113)	(125)	(135)
Pre-tax profit	**4,211**	**3,291**	**4,803**	**6,250**	**6,950**
Income tax	667	513	764	994	1,105
After-tax profit	**3,544**	**2,778**	**4,039**	**5,256**	**5,845**
% net margin	20.6%	16.0%	17.2%	19.1%	19.9%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	(34)	38	19	19	19
Extraordinary items	15	65	0	0	0
NET PROFIT	**3,525**	**2,881**	**4,058**	**5,275**	**5,864**
Normalized profit	**3,510**	**2,816**	**4,058**	**5,275**	**5,864**
EPS (Bt)	3.5	2.9	4.1	5.3	5.9
Normalized EPS (Bt)	3.5	2.8	4.1	5.3	5.9

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	3,992	5,382	6,878	7,981	10,156
Cash & cash equivalent	947	1,134	1,000	1,200	3,000
Account receivables	1,420	1,756	2,378	2,781	2,967
Inventories	1,489	2,337	3,290	3,756	3,928
Others	136	155	209	245	261
Investments & loans	107	103	103	103	103
Net fixed assets	12,032	12,537	12,150	11,743	12,389
Other assets	956	1,164	1,715	1,885	1,965
Total assets	**17,087**	**19,186**	**20,845**	**21,712**	**24,613**
LIABILITIES:					
Current liabilities:	5,655	5,427	5,560	5,030	5,654
Account payables	1,573	1,769	2,490	2,880	3,053
Bank overdraft & ST loans	2,504	3,381	2,662	1,767	2,144
Current LT debt	1,090	0	0	0	0
Others current liabilities	488	278	408	383	457
Total LT debt	**894**	**3,123**	**2,459**	**1,632**	**1,981**
Others LT liabilities	380	525	964	1,010	1,032
Total liabilities	**6,929**	**9,075**	**8,983**	**7,672**	**8,666**
Minority interest	201	(99)	(118)	(137)	(156)
Preferreds shares	0	0	0	0	0
Paid-up capital	1,000	1,000	1,000	1,000	1,000
Share premium	0	0	0	0	0
Warrants	0	0	0	0	0
Surplus	3,905	3,680	3,680	3,680	3,680
Retained earnings	**5,051**	**5,530**	**7,300**	**9,497**	**11,423**
Shareholders' equity	9,956	10,209	11,979	14,177	16,102
Liabilities & equity	**17,087**	**19,186**	**20,845**	**21,712**	**24,613**

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	4,211	3,291	4,803	6,250	6,950
Tax paid	(592)	(741)	(548)	(1,020)	(1,032)
Depreciation & amortization	668	753	823	852	901
Chg In w orking capital	(652)	(987)	(855)	(478)	(186)
Chg In other CA & CL / minorities	72	(340)	(140)	(35)	(15)
Cash flow from operations	**3,708**	**1,977**	**4,083**	**5,569**	**6,617**
Capex	(1,828)	(1,259)	(400)	(400)	(1,500)
Right of use	(304)	(139)	(330)	(50)	(50)
ST loans & investments	0	0	0	0	0
LT loans & investments	(4)	4	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	133	151	184	(119)	(55)
Cash flow from investments	**(2,003)**	**(1,242)**	**(546)**	**(569)**	**(1,605)**
Debt financing	414	2,081	(1,383)	(1,722)	726
Capital increase	0	0	0	0	0
Dividends paid	(2,100)	(2,400)	(2,288)	(3,078)	(3,938)
Warrants & other surplus	(35)	(228)	0	0	0
Cash flow from financing	**(1,721)**	**(547)**	**(3,671)**	**(4,799)**	**(3,212)**
Free cash flow	**1,880**	**718**	**3,683**	**5,169**	**5,117**

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	29.2	36.4	25.3	19.4	17.5
Normalized PE - at target price (x)	39.3	49.0	34.0	26.2	23.5
PE (x)	29.1	35.6	25.3	19.4	17.5
PE - at target price (x)	39.1	47.9	34.0	26.2	23.5
EV/EBITDA (x)	21.7	27.0	19.2	14.9	13.4
EV/EBITDA - at target price (x)	29.0	35.9	25.6	20.0	18.0
P/BV (x)	10.3	10.0	8.6	7.2	6.4
P/BV - at target price (x)	13.9	13.5	11.5	9.7	8.6
P/CFO (x)	27.6	51.9	25.1	18.4	15.5
Price/sales (x)	5.9	5.9	4.4	3.7	3.5
Dividend yield (%)	2.3	1.9	2.6	3.4	4.3
FCF Yield (%)	1.8	0.7	3.6	5.0	5.0
(Bt)					
Normalized EPS	3.5	2.8	4.1	5.3	5.9
EPS	3.5	2.9	4.1	5.3	5.9
DPS	2.4	1.9	2.7	3.5	4.4
BV/share	10.0	10.2	12.0	14.2	16.1
CFO/share	3.7	2.0	4.1	5.6	6.6
FCF/share	1.9	0.7	3.7	5.2	5.1

Sources: Company data, Thanachart estimates

ROE looks attractive to us at 37% in 2022F

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	15.4	0.8	35.5	16.9	6.7
Net profit (%)	40.6	(18.3)	40.9	30.0	11.2
EPS (%)	40.6	(18.3)	40.9	30.0	11.2
Normalized profit (%)	39.4	(19.8)	44.1	30.0	11.2
Normalized EPS (%)	39.4	(19.8)	44.1	30.0	11.2
Dividend payout ratio (%)	68.1	65.9	65.9	65.9	75.0
Operating performance					
Gross margin (%)	41.0	35.6	33.1	33.8	34.2
Operating margin (%)	24.5	18.7	20.1	22.4	23.3
EBITDA margin (%)	28.4	23.0	23.6	25.5	26.4
Net margin (%)	20.6	16.0	17.2	19.1	19.9
D/E (incl. minor) (x)	0.4	0.6	0.4	0.2	0.3
Net D/E (incl. minor) (x)	0.3	0.5	0.3	0.2	0.1
Interest coverage - EBIT (x)	39.5	36.5	41.8	49.2	50.7
Interest coverage - EBITDA (x)	45.8	45.0	49.0	56.0	57.3
ROA - using norm profit (%)	22.0	15.5	20.3	24.8	25.3
ROE - using norm profit (%)	37.9	27.9	36.6	40.3	38.7
DuPont					
ROE - using after tax profit (%)	38.3	27.6	36.4	40.2	38.6
- asset turnover (x)	1.1	1.0	1.2	1.3	1.3
- operating margin (%)	25.1	19.5	20.9	23.2	24.1
- leverage (x)	1.7	1.8	1.8	1.6	1.5
- interest burden (%)	97.5	97.4	97.7	98.0	98.1
- tax burden (%)	84.2	84.4	84.1	84.1	84.1
WACC (%)	8.2	8.2	8.2	8.2	8.2
ROIC (%)	30.3	20.3	25.5	32.1	35.2
NOPAT (Bt m)	3,549	2,734	3,975	5,175	5,759
invested capital (Bt m)	13,497	15,579	16,100	16,376	17,227

Sources: Company data, Thanachart estimates

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Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

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