BUY (Unchanged)

Change in Numbers

TP: Bt 4.80 (From: Bt 4.60)

Upside : 27.7%

8 JUNE 2022

Small Cap Research

Chularat Hospital Pcl (CHG TB)

Inexpensive

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CHG was the only hospital in the sector able to grow non-COVID earnings in the COVID period while we expect its 2023F non-COVID earnings to double 2019's level. Thus, its PE of 28.6x in 2023F vs. its 38x pre-COVID average looks unjustifiably low to us. Reaffirm BUY.

Unjustified PE gap, in our view

We reaffirm our BUY call. *First*, CHG is the only hospital in the sector to have grown its non-COVID earnings in the COVID crisis over the past two years. And we project its 2023F non-COVID earnings to double 2019 levels. *Second*, CHG's future growth drivers are via both expansion and higher-value services from its excellence centers. We expect its EBIT margin to rise from 16.7% in 2019 to 22.4% in 2024F. *Third*, with a higher earnings base and profitability, we believe its PE of 28.6x in 2023F vs. its past-5-year pre-COVID average of 38x looks unjustifiably low. We raise our 2022F earnings by 63% to reflect strong COVID income but only fine-tune up those for 2023-24F. We lift our rolled-over to a 2023F base year DCF-based 12-month TP to Bt4.8 (from Bt4.6).

Three-way expansion

CHG is growing via capacity expansion, higher-value services from new excellence centers and a higher foreign patients target. Its bed capacity grew from 599 in 2017 to 793 in 2021 and we expect it to be 1,024 in 2023F. As new hospitals make losses in the initial years, growth from the expansion should last beyond 2023F. Exhibit 5 shows its expansion since 2018. As for excellence centers, it already had a heart center with three management contracts and it has expanded into stroke and cancer centers. CHG started to focus more on foreign patients before the COVID crisis. We estimate foreign patient revenue to resume after COVID subsides at 3% of total revenue in 2024F.

COVID windfall supports expansions

COVID income has been extraordinarily high for CHG with an estimated combined Bt4.6bn of extra profit during 2021-22F. This has helped strengthen its financial status and finance new expansions. Therefore, despite all the expansion plans, we expect CHG to still be a net-cash company with higher free cash flow yields of 4-5% from 2023F. This could imply that the company could afford a higher dividend payout ratio. Due to its continuous expansions in the past, CHG paid out around 70-80% of its earnings during pre-COVID years.

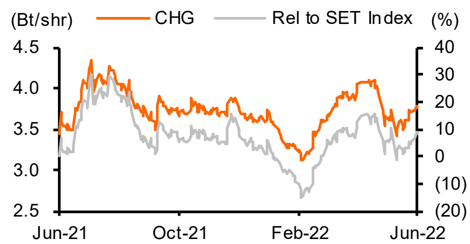
Non-COVID cash patient rebound

CHG's non-COVID cash-patient revenue grew 35% y-y in 1Q22, driven by Thai and foreign patients. While Thai patient flows continue to grow due to it offering more specialized medical services and a shift in demand from public and high-end hospitals, foreign patients also returned quickly in 1Q22 with the trend continuing. Despite Middle East patients not yet fully returning, CHG is seeing new patient flows from Myanmar and Cambodia. We estimate non-COVID cash patient revenue growth of 22/20/10% in 2022-24F and foreign patients to return to its pre-COVID level next year from c.80% of the 2019 level presently.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	11,742	9,566	7,608	8,250
Net profit	4,204	2,844	1,446	1,579
Consensus NP	—	2,244	1,432	1,516
Diff frm cons (%)	—	*26.8*	*1.0*	*4.1*
Norm profit	4,204	2,844	1,446	1,579
Prev. Norm profit	—	1,747	1,419	1,557
Chg frm prev (%)	—	*62.8*	*1.9*	*1.4*
Norm EPS (Bt)	0.4	0.3	0.1	0.1
Norm EPS grw (%)	379.6	(32.4)	(49.1)	9.1
Norm PE (x)	9.8	14.5	28.6	26.2
EV/EBITDA (x)	7.2	10.2	18.7	16.5
P/BV (x)	5.5	5.0	5.2	5.0
Div yield (%)	5.3	5.2	3.0	3.4
ROE (%)	72.5	36.0	17.8	19.4
Net D/E (%)	(29.9)	(34.5)	(39.2)	(41.5)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 8-Jun-22 (Bt)	3.76
Market Cap (US$ m)	1,198.3
Listed Shares (m shares)	11,000.0
Free Float (%)	42.5
Avg Daily Turnover (US$ m)	6.8
12M Price H/L (Bt)	4.34/3.12
Sector	Health Care
Major Shareholder	Plussind Family 23.79%

Sources: Bloomberg, Company data, Thanachart estimates

Thanachart Securities

Unjustified PE gap in, our view

We lift our TP to Bt4.8/share from Bt4.6

We raise our earnings estimate for Chularat Hospital (CHG) by 63% in 2022F mainly to reflect its likely strong COVID income in 1H22F though we only fine-tune up our 2023-24F numbers. This, together with rolling over our valuation base year to 2023F, leads us to raise our DCF-based 12-month TP to Bt4.8/share from Bt4.6 previously.

Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2020	2021	2022F	2023F	2024F
Revenue from foreign patients (Bt m)					
- New	42	0	180	230	272
- Old			65	130	172
- Change (%)			*177.4*	*77.5*	*58.1*
Revenue from COVID-19 services (Bt m)					
- New	82	6,050	2,976	68	38
- Old			1,612	74	41
- Change (%)			*84.7*	*(8.2)*	*(8.2)*
Gross profit (%)					
- New	32.2	49.9	43.4	31.2	32.1
- Old			32.9	30.5	31.4
- Change (pp)			*10.5*	*0.7*	*0.7*
SG&A to sales (%)					
- New	12.4	7.0	8.1	9.9	9.7
- Old			9.3	10.7	10.5
- Change (pp)			*(1.2)*	*(0.8)*	*(0.8)*
Normalized profit (Bt m)					
- New	877	4,204	2,844	1,446	1,579
- Old			1,747	1,419	1,557
- Change (%)			*62.8*	*1.9*	*1.4*

Sources: Company data, Thanachart estimates

We reiterate our BUY call …

We reaffirm our BUY rating on CHG for the following reasons:

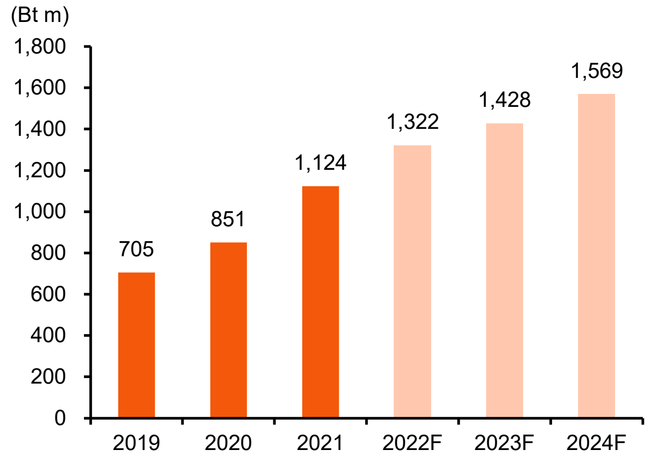
First, CHG is the only hospital in the healthcare sector whose non-COVID earnings have grown during the COVID crisis over the past two years. And we estimate its 2023F non-COVID earnings to double 2019's level.

Second, we believe CHG's future growth drivers are from expansions and higher-value services from its excellence centers. We expect its EBIT margin to widen from 16.7% in 2019 to 22.4% in 2024F.

Third, with a higher earnings base and profitability, we believe its PE of 28.6x in 2023F vs. its five-year pre-COVID average of 38x is at an unjustified gap.

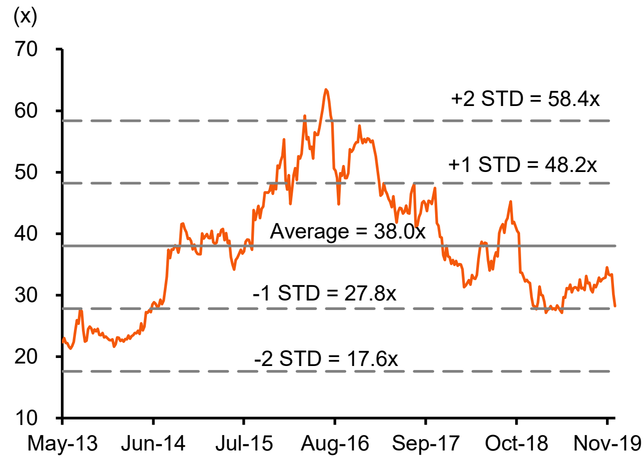
CHG remains one of our top sector picks for its consistently improving core fundamentals.

Ex 2: Non-COVID Earnings



Sources: Company data, Thanachart estimates

Ex 3: CHG's Pre-COVID Year Valuation



Sources: Bloomberg, Thanachart estimates

Ex 4: 12-month DCF-based TP Calculation, Using A Base Year Of 2023F

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA excl. depre from right of use	2,022	2,272	2,449	2,631	2,831	3,043	3,268	3,497	3,732	3,979	4,239	—
Free cash flow	1,907	1,749	1,764	1,787	1,950	2,121	2,301	2,486	2,675	2,874	3,084	68,085
PV of free cash flow	1,902	1,553	1,455	1,382	1,416	1,443	1,469	1,488	1,502	1,514	1,523	33,626

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	0.6
WACC (%)	6.1
Terminal growth (%)	2.0
Enterprise value	**50,273**
Net debt (end-2022F)	(2,973)
Minority interest	367
Equity value	52,879
# of shares (m)	11,000
Equity value / share (Bt)	**4.80**

Sources: Company data, Thanachart estimates

Three-way expansion

Capacity expansions

CHG is growing via capacity expansion, higher-value services from new excellence centers and a higher foreign patients target. Its bed capacity grew from 599 in 2017 to 793 in 2021 and we expect 1,024 beds in 2023F. As new hospitals make losses in the initial years after launch, growth from the expansions should last beyond 2023F. Its new expansion pipeline since 2018 can be seen in Exhibit 5.

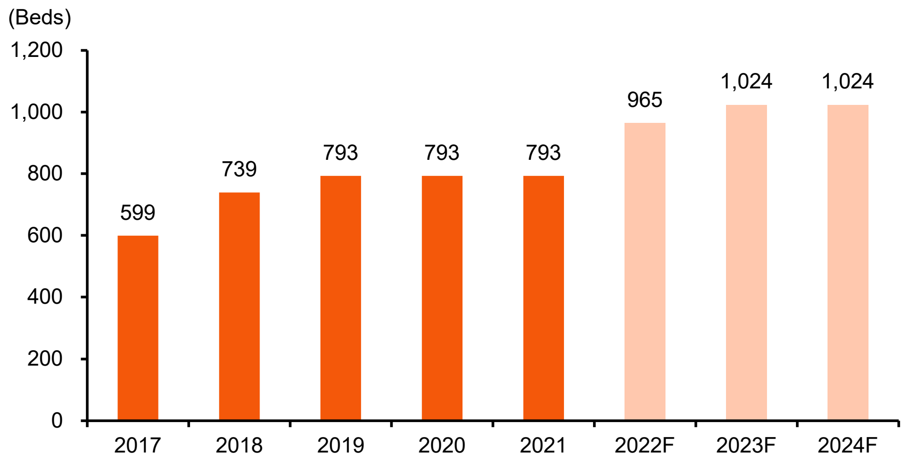
In our model, we already factor its two new greenfield projects, ie, the Shewarat Cancer Center and Chularat Mae Sot Hospital and the capacity expansions at Chularat 304 International and Chularat Ruampaet into our model. For other potential projects such as the new 50-bed building at Chularat 3 International, the 100-bed building at Chularat Rayong and the new greenfield Chularat Phraeksa Hospital, we have not yet factored them in because we have not yet seen the investment details of the three projects.

Ex 5: Expansion Plans

Hospital	Existing IPD beds (30 May 2022)	Additional beds (in 2022-2026)	Opening schedule
Chularat 1 Suvarnabhumi	26	—	
Chularat 3 International	237	50*	▪ Not yet given a tentative date for its new capacity expansion
Chularat 5	26	—	
Chularat 9	139	—	
Chularat 11 International	141	—	
Chularat Cholvaej	56	—	
Chularat Rayong	50	100*	▪ Not yet given a tentative date for its new capacity expansion
Chularat 304 International	59	61	▪ 1st phase of 59 beds was opened in July 2018 ▪ 2nd phase of an additional 61 beds is due to open in late 2022
Chularat RPC	59	61	▪ 1st phase of 59 beds was opened in December 2018 ▪ 2nd phase of an additional 61 beds is due to open in late 2022
Chularat Mae Sot International	—	100	▪ 1st phase of 59 beds is due to open in early 2023 ▪ 2nd phase of an additional 41 beds is due to open in 2027
Shewarat Cancer Center	—	50	▪ Due to open in 4Q22
Chularat Phraeksa	—	100*	▪ Not yet given a tentative opening date for its new hospital
Total	**793**	**522+**	

Sources: Company data, Thanachart
Note: * Not yet factored into our model

Ex 6: # Of IPD Beds



Sources: Company data, Thanachart estimates

Ex 7: Shewarat Cancer Center – Construction Progress

Source: Company data

Ex 8: Chularat Mae Sot

Source: Company data

Excellence centers

As for excellence centers, CHG already operates a heart center at Chularat 3 Hospital while it manages three heart centers at Sirindhorn Hospital, Rayong Hospital and Samut Prakarn Hospital. These three contracts have management terms of three years. The total value of the three contracts is Bt1.2bn. Apart from its heart center, CHG plans to open a stroke and cancer center that could be its new product champion at Chularat 3 Hospital.

Provide services to foreign patients

CHG started to provide service to foreign patients, mainly Middle Eastern patients, in 2018. But because of the COVID crisis in 2020-21, the revenue contribution from foreign patients disappeared. Foreign patients began returning in early 2022 after the Thai government started reopening the country in late 2021. We estimate foreign patient revenue to resume after COVID subsides at 3% of total revenue in 2024F.

COVID windfall supports expansions

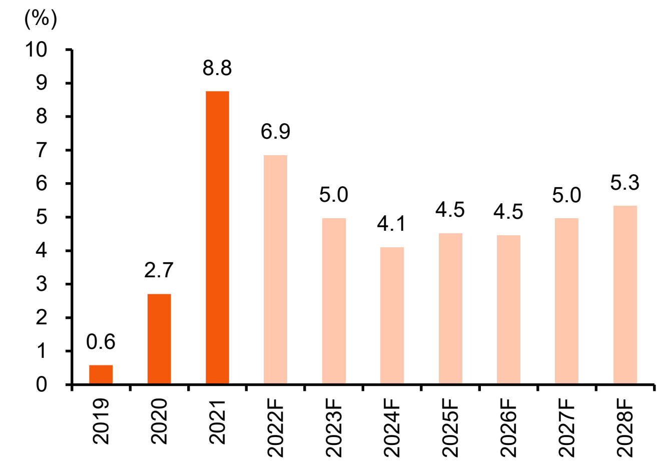
Bt4.6bn of COVID income supports expansions

Given that CHG ranks second in our healthcare sector coverage behind Bangkok Chain Hospital Pcl (BCH TB, Bt19.30, BUY) for providing COVID-19 services, it has enjoyed an extraordinarily large windfall from these services, with an estimated combined Bt4.6bn of extra profit during 2021-22F. Though the reimbursement rate under UCEP and the Social Security Scheme (SSS) declined from early this year, the large amount of infections during the Omicron variant wave helped to strengthen COVID income in 1H22.

The high COVID windfall not only boosted CHG's financial status but also financed new expansions as we mentioned in the previous section. Therefore, despite all the expansion plans, we expect CHG to be a net-cash company with higher free cash flow yields of 4-5% from 2023F onwards.

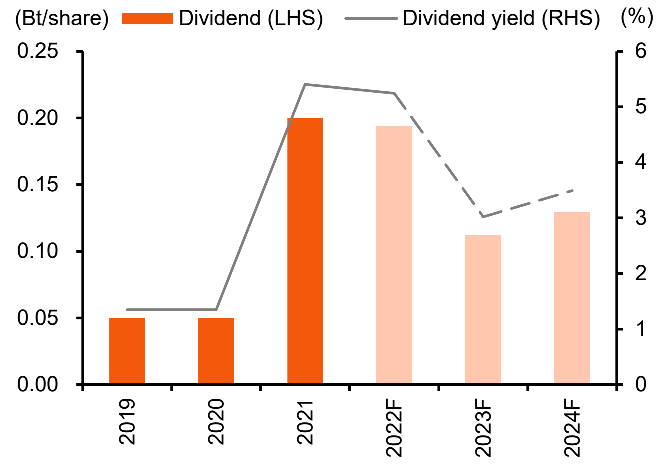
Thanks to its strong cash on hand, this could imply that the company could afford a higher dividend payout ratio. Due to its continuous expansions in the past, CHG paid out around 70-80% of its earnings during pre-COVID years. Meanwhile, we estimate CHG's dividend payout ratios at 75/80/85% in 2022-24F. We assume dividend payments of Bt0.19/0.11/0.13 per share over 2022-24F, implying dividend yields of 5.2/3.0/3.5% in those years.

Ex 9: Free Cash Flow Yield



Sources: Company data, Thanachart estimates

Ex 10: Dividend Payment And Dividend Yield



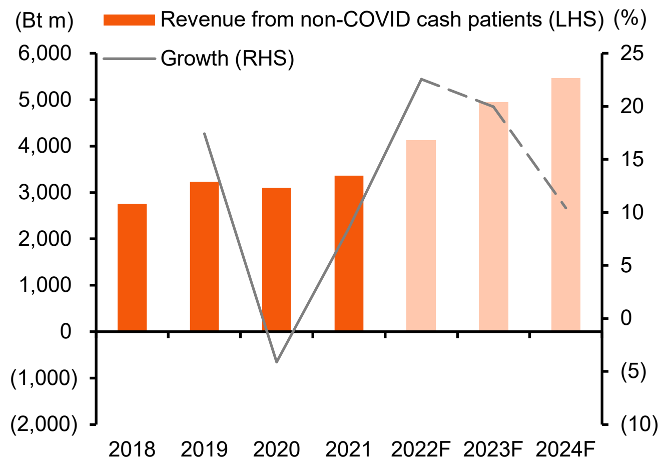
Sources: Company data, Thanachart estimates

Non-COVID cash patient rebound

Non-COVID cash patient revenue growth of 22/20/10% in 2022-24F

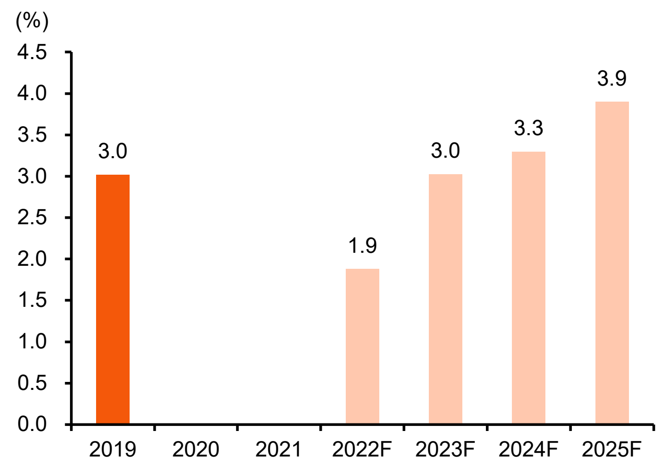
CHG's non-COVID cash-patient revenue grew by 35% y-y in 1Q22, driven by Thai and foreign patients. While Thai patient flows continue to grow because of CHG offering more specialized medical services along with a shift in demand from public and high-end hospitals, foreign patients also returned swiftly in 1Q22 with the trend continuing. Although the Middle East patient group has not yet fully returned, CHG's international patients have already got back to around 80% of the level in its pre-COVID year in 2019. Besides Middle Eastern patients, CHG is receiving new flows of patients from Myanmar and Cambodia, who are tending to use its Spine, Rehabilitation and Cancer services. With non-COVID Thai and international patients increasing, we estimate CHG's non-COVID cash patient revenue growth at 22/20/10% in 2022-24F

Ex 11: Revenue From Non-COVID Cash Patients



Sources: Company data, Thanachart estimates

Ex 12: Revenue Contribution From Foreign Patients



Sources: Company data, Bloomberg, Thanachart estimates

Valuation Comparison

Ex 13: Valuation Comparison With Regional Peers

Name	BBG code	Country	Market Cap (US$ m)	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 (%)
Ramsay Healthcare	RHC AU	Australia	12,658	(27.8)	75.8	55.2	31.4	4.4	4.1	13.7	11.2	1.4	2.0
Guangzhou Pharmaceutical	874 HK	Hong Kong	7,198	3.1	3.0	9.8	9.5	na	na	9.4	9.1	3.1	3.2
Lijun Int'l Pharmaceutical	2005 HK	Hong Kong	1,423	55.8	22.2	9.2	7.6	1.6	1.4	7.7	6.4	3.3	4.0
Apollo Hospitals Enterprise	APHS IN	India	6,732	(12.5)	21.3	56.7	46.7	9.3	7.9	24.2	21.8	0.3	0.3
Fortis Healthcare India	FORH IN	India	2,334	(33.1)	29.2	48.9	37.9	2.7	2.7	18.0	17.1	0.0	0.0
KPJ Healthcare	KPJ MK	Malaysia	875	152.1	30.0	29.5	22.7	1.7	1.6	12.2	11.1	1.7	2.0
IHH Healthcare Bhd	IHH MK	Malaysia	13,080	(7.9)	14.0	35.1	30.8	2.3	2.2	15.5	14.4	1.1	1.1
Ryman	RYM NZ	New Zealand	3,012	na	23.6	20.4	16.5	1.4	1.2	19.6	14.9	2.1	2.4
Raffles Medical Group	RFMD SP	Singapore	1,578	(15.7)	7.9	30.8	28.5	2.2	2.2	15.0	14.3	2.1	2.1
Bangkok Chain Hospital *	BCH TB	Thailand	1,394	(46.7)	(50.9)	13.2	26.8	3.4	3.3	8.5	14.0	3.8	1.9
Bangkok Dusit Medical *	BDMS TB	Thailand	11,511	16.0	15.3	43.2	37.4	4.6	4.3	26.2	23.3	1.3	1.5
Bumrungrad Hospital *	BH TB	Thailand	4,053	127.3	27.8	48.3	37.8	8.0	7.8	30.2	24.2	2.1	2.6
Chularat Hospital *	CHG TB	Thailand	1,198	(32.4)	(49.1)	14.5	28.6	5.0	5.2	10.2	18.7	5.2	3.0
Ladprao General Hospital *	LPH TB	Thailand	121	(49.9)	(17.6)	18.0	21.8	2.4	2.4	10.0	11.7	4.2	3.4
Praram 9 Hospital *	PR9 TB	Thailand	323	60.6	13.6	27.9	24.6	2.5	2.3	12.7	11.3	1.6	1.8
Rajthanee Hospital *	RJH TB	Thailand	298	(2.8)	(55.5)	10.5	23.5	4.8	5.1	7.7	15.5	7.7	3.2
Ratchaphruek Hospital *	RPH TB	Thailand	114	(26.2)	(52.4)	13.2	27.8	2.2	2.2	8.0	13.6	4.5	2.7
Thonburi Healthcare Group*	THG TB	Thailand	1,412	(31.3)	(32.0)	51.9	76.4	5.2	5.2	26.2	30.4	1.2	0.8
Average				**7.6**	**1.4**	**29.8**	**29.8**	**3.7**	**3.6**	**15.3**	**15.7**	**2.6**	**2.1**

Source: Bloomberg, Thanachart estimates

Note: * Thanachart estimates, using Thanachart normalized EPS

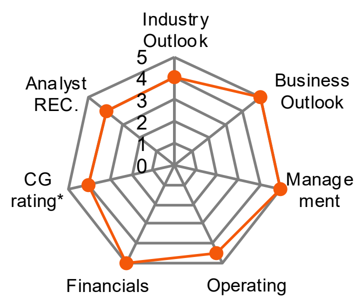
Based on 8 Jun 2022 closing prices

COMPANY DESCRIPTION

Chularat Hospital Pcl (CHG) operates a private hospital chain under the "Chularat" brand in the eastern region of Thailand, particularly in Samut Prakan and Chachoengsao provinces. The company was established in 1986. Presently, CHG has nine main hospitals and four clinics in its portfolio, providing medical treatment to cash and Social Security (SS) patients. Chularat Group offers expertise in hand surgery and microsurgery, NICU, heart surgery and stroke treatment.

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

- One of the big hospital chains in Thailand with significant experience and a reputable managed-care scheme brand.
- Hospitals in CHG's portfolio are in prime locations (communities, factories and industrial estates).
- Owns a nursing assistant school that supplies professional nursing assistants for the group.

W — Weakness

- Limited patient-base diversification as CHG still mainly focuses on the low- to mid-tier and managed-care markets.

O — Opportunity

- Limited public healthcare supply in Thailand.
- Capacity expansion to support rising healthcare demand in the future.
- Ageing society mega trend.
- Rising patient flows from neighbouring countries.
- Increasing COVID-19 infections.

T — Threat

- Growing importance of franchise names and big players such as Bangkok Dusit Medical Services (BDMS TB, Bt25.00, BUY), which have entered the mid-market segment.
- Regulatory risk.
- Increasing COVID-19 infections

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	4.24	4.80	13%
Net profit 22F (Bt m)	2,244	2,844	27%
Net profit 23F (Bt m)	1,432	1,446	1%
Consensus REC	**BUY: 11**	**HOLD: 7**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our DCF-based TP is higher than the Bloomberg consensus number, which we attribute to us having a more bullish view on CHG's long-term growth path and the rollover of our valuation base year to 2023F.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If CHG's strategy of boosting revenue from the cash-patient business turns out to be worse than we expect, this would present the key downside risk to our earnings forecasts.
- If the Adjusted Relative Weight (RW) under the SSS or Universal Coverage schemes falls, this would pose a secondary downside risk to our earnings forecasts.
- Given CHG's capacity expansion plans over the next few years, its new buildings may turn profitable more slowly than we currently expect, representing a third downside risk.
- If there is more competition from existing private-healthcare operators and/or newcomers to the healthcare market in Thailand, this would represent a fourth downside risk.

Source: Thanachart

Core operation set to reach a new, higher base

Two new hospitals due to open in 2022-23

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	5,433	11,742	9,566	7,608	8,250
Cost of sales	3,685	5,882	5,416	5,233	5,602
Gross profit	**1,748**	**5,860**	**4,150**	**2,375**	**2,648**
% gross margin	32.2%	49.9%	43.4%	31.2%	32.1%
Selling & administration expenses	673	821	777	755	800
Operating profit	**1,075**	**5,038**	**3,373**	**1,620**	**1,848**
% operating margin	19.8%	42.9%	35.3%	21.3%	22.4%
Depreciation & amortization	370	371	392	417	437
EBITDA	**1,445**	**5,409**	**3,765**	**2,036**	**2,285**
% EBITDA margin	26.6%	46.1%	39.4%	26.8%	27.7%
Non-operating income	32	259	272	281	226
Non-operating expenses	0	0	0	0	0
Interest expense	(36)	(21)	(12)	(10)	(11)
Pre-tax profit	**1,071**	**5,276**	**3,633**	**1,891**	**2,063**
Income tax	219	1,009	694	369	402
After-tax profit	**852**	**4,267**	**2,939**	**1,522**	**1,661**
% net margin	15.7%	36.3%	30.7%	20.0%	20.1%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	24	(63)	(95)	(76)	(82)
Extraordinary items	0	0	0	0	0
NET PROFIT	**877**	**4,204**	**2,844**	**1,446**	**1,579**
Normalized profit	**877**	**4,204**	**2,844**	**1,446**	**1,579**
EPS (Bt)	0.1	0.4	0.3	0.1	0.1
Normalized EPS (Bt)	0.1	0.4	0.3	0.1	0.1

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	1,763	5,897	5,839	5,616	6,107
Cash & cash equivalent	580	2,790	3,300	3,600	4,000
Account receivables	983	2,437	1,966	1,522	1,582
Inventories	179	295	267	251	261
Others	22	376	306	243	264
Investments & loans	0	0	0	0	0
Net fixed assets	4,167	4,362	4,486	4,585	4,511
Other assets	271	291	239	193	192
Total assets	**6,201**	**10,550**	**10,564**	**10,393**	**10,810**
LIABILITIES:					
Current liabilities:	1,429	2,208	1,672	1,706	1,763
Account payables	570	842	816	789	844
Bank overdraft & ST loans	570	34	164	142	177
Current LT debt	136	97	41	36	44
Others current liabilities	153	1,235	651	740	697
Total LT debt	**407**	**313**	**123**	**107**	**133**
Others LT liabilities	171	187	156	126	125
Total liabilities	**2,008**	**2,709**	**1,951**	**1,939**	**2,020**
Minority interest	169	272	367	443	525
Preferreds shares	0	0	0	0	0
Paid-up capital	1,100	1,100	1,100	1,100	1,100
Share premium	1,146	1,146	1,146	1,146	1,146
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
Retained earnings	**1,778**	**5,323**	**6,000**	**5,766**	**6,019**
Shareholders' equity	4,024	7,569	8,246	8,012	8,265
Liabilities & equity	**6,201**	**10,550**	**10,564**	**10,393**	**10,810**

Sources: Company data, Thanachart estimates

COVID services strengthen cash inflow streams

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	1,071	5,276	3,633	1,891	2,063
Tax paid	(193)	(376)	(1,041)	(363)	(415)
Depreciation & amortization	370	371	392	417	437
Chg In w orking capital	20	(1,298)	473	433	(15)
Chg In other CA & CL / minorities	20	136	(168)	146	(51)
Cash flow from operations	**1,288**	**4,109**	**3,289**	**2,523**	**2,019**
Capex	(186)	(546)	(500)	(500)	(350)
Right of use	(87)	(22)	(5)	(5)	(1)
ST loans & investments	0	0	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	23	(2)	10	6	(13)
Cash flow from investments	**(250)**	**(570)**	**(495)**	**(499)**	**(364)**
Debt financing	(426)	(669)	(117)	(43)	70
Capital increase	0	0	0	0	0
Dividends paid	(550)	(660)	(2,166)	(1,681)	(1,325)
Warrants & other surplus	(5)	0	0	0	0
Cash flow from financing	**(980)**	**(1,329)**	**(2,284)**	**(1,724)**	**(1,255)**
Free cash flow	**1,103**	**3,563**	**2,789**	**2,023**	**1,669**

Inexpensive valuation, in our view

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	47.2	9.8	14.5	28.6	26.2
Normalized PE - at target price (x)	60.2	12.6	18.6	36.5	33.4
PE (x)	47.2	9.8	14.5	28.6	26.2
PE - at target price (x)	60.2	12.6	18.6	36.5	33.4
EV/EBITDA (x)	29.0	7.2	10.2	18.7	16.5
EV/EBITDA - at target price (x)	36.9	9.3	13.2	24.3	21.5
P/BV (x)	10.3	5.5	5.0	5.2	5.0
P/BV - at target price (x)	13.1	7.0	6.4	6.6	6.4
P/CFO (x)	32.1	10.1	12.6	16.4	20.5
Price/sales (x)	7.6	3.5	4.3	5.4	5.0
Dividend yield (%)	1.3	5.3	5.2	3.0	3.4
FCF Yield (%)	2.7	8.6	6.7	4.9	4.0
(Bt)					
Normalized EPS	0.1	0.4	0.3	0.1	0.1
EPS	0.1	0.4	0.3	0.1	0.1
DPS	0.1	0.2	0.2	0.1	0.1
BV/share	0.4	0.7	0.7	0.7	0.8
CFO/share	0.1	0.4	0.3	0.2	0.2
FCF/share	0.1	0.3	0.3	0.2	0.2

Sources: Company data, Thanachart estimates

Strong financial status

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	5.2	116.1	(18.5)	(20.5)	8.4
Net profit (%)	24.3	379.6	(32.4)	(49.1)	9.1
EPS (%)	24.3	379.6	(32.4)	(49.1)	9.1
Normalized profit (%)	24.3	379.6	(32.4)	(49.1)	9.1
Normalized EPS (%)	24.3	379.6	(32.4)	(49.1)	9.1
Dividend payout ratio (%)	62.7	52.3	75.0	85.0	90.0
Operating performance					
Gross margin (%)	32.2	49.9	43.4	31.2	32.1
Operating margin (%)	19.8	42.9	35.3	21.3	22.4
EBITDA margin (%)	26.6	46.1	39.4	26.8	27.7
Net margin (%)	15.7	36.3	30.7	20.0	20.1
D/E (incl. minor) (x)	0.3	0.1	0.0	0.0	0.0
Net D/E (incl. minor) (x)	0.1	(0.3)	(0.3)	(0.4)	(0.4)
Interest coverage - EBIT (x)	30.2	235.7	276.9	157.1	169.1
Interest coverage - EBITDA (x)	40.5	253.0	309.0	197.5	209.1
ROA - using norm profit (%)	14.1	50.2	26.9	13.8	14.9
ROE - using norm profit (%)	22.7	72.5	36.0	17.8	19.4
DuPont					
ROE - using after tax profit (%)	22.1	73.6	37.2	18.7	20.4
- asset turnover (x)	0.9	1.4	0.9	0.7	0.8
- operating margin (%)	20.4	45.1	38.1	25.0	25.1
- leverage (x)	1.6	1.4	1.3	1.3	1.3
- interest burden (%)	96.8	99.6	99.7	99.5	99.5
- tax burden (%)	79.6	80.9	80.9	80.5	80.5
WACC (%)	6.1	6.1	6.1	6.1	6.1
ROIC (%)	18.1	89.4	52.2	24.7	31.7
NOPAT (Bt m)	856	4,075	2,729	1,304	1,488
invested capital (Bt m)	4,558	5,224	5,274	4,696	4,620

Sources: Company data, Thanachart estimates

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