BUY (Unchanged)

Change in Numbers

TP: Bt 75.00 (Unchanged)

Upside : 25.5%

16 JUNE 2022

Thanachart Securities

CP ALL Public Co Ltd (CPALL TB)

Over the worst

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CPALL's profit passed bottom last year with an impressive 52% three-year core EPS CAGR in 2022-24F, driven by a recovery in all three of its businesses; CVS, cash & carry and Lotus's grocery retailing. At 19.9x 2024F PE and with the current share price 32% below its 2019 peak, CPALL is now a top sector pick with a Bt75 TP.

Passed the bottom,; BUY

After being hit by COVID and carrying out Siam Makro's (MAKRO TB, BUY, Bt34.50) and Lotus's ownership restructuring within the group, CPALL's core profit passed bottom last year. Despite cutting our earnings by 12-24% in 2022-24F on our earlier MAKRO earnings downgrade but raising them by 7% in 2025-32F on MAKRO's increased store expansions, our DCF-based TP 12-month with our base year rolled over to 2023F is unchanged at Bt75/share. We reaffirm our BUY rating. CPALL is now a retail giant, owning 7-Eleven CVS in Thailand and 59.92% of Makro cash & carry and Lotus's grocery retailing, with a forecasted 52% three-year core EPS CAGR in 2022-24. The stock trades at 19.9x 2024F PE, below its 30x five-year pre-COVID average and 32% below its Bt87.75 2019 peak.

2021 was the worst year

Before completion of its ownership restructuring in 4Q21, CPALL held a 93.08% stake in MAKRO and it invested in 40% of Lotus's in 4Q20. Now, it has 59.92% stake in MAKRO and Lotus's is MAKRO's wholly owned subsidiary. 2021 core profit of Bt8.7bn was the lowest in 10 years given that its 7-Eleven business was hit by COVID with -14.5% SSSG in 2020 and -6.7% in 2021. As it drew down US$2.6bn to fund its 40% stake in Lotus's, interest costs rose by Bt4.1bn last year, of which Bt1.2bn was one-time expenses related to an early bridging loan repayment and bond issuance costs. Lotus's also experienced its worst year ever with a Bt495m loss last year and shared a Bt119m loss with CPALL.

A strong 52% three-year core EPS CAGR

Starting from this year, we expect CPALL to benefit from a recovery of all three of its businesses; CVS, cash & carry and retail grocery and we expect a combined Bt1tr in sales by 2024F, up from Bt571bn in 2019. We estimate it to surpass its 2019 profit level of Bt22bn at Bt28bn in 2024F, translating to a 52% core EPS CAGR in 2022-24F. This looks set to be driven by a full turnaround of its 7-Eleven business with Bt17.6bn of profit in 2024F vs. its previous peak of Bt16.4bn in 2019 while MAKRO (with Lotus's) should contribute higher profit of Bt10.4bn in 2024F vs. Bt5.8bn in 2019 despite CPALL's stake falling to 59.92% from 93.08%. See our MAKRO report, *Boosting to BUY*, dated 30 May.

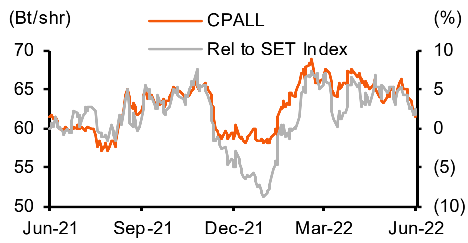
A swift 7-Eleven sales recovery

We have seen a faster-than-expected 7-Eleven sales recovery with 1Q22 average daily sales/store of Bt73,460, only 11% below 2019's level and this momentum has continued in 2QTD, though tourists have yet to fully return to Thailand. This is due to successful O2O sales at 10% of its sales mix and product mix adjustments gearing towards foods and large-sized packages.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	585,743	831,824	920,374	1,010,779
Net profit	12,985	13,751	21,096	27,974
Consensus NP	—	16,953	22,092	26,030
Diff frm cons (%)	—	*(18.9)*	*(4.5)*	*7.5*
Norm profit	8,706	13,751	21,096	27,974
Prev. Norm profit	—	18,061	25,402	31,898
Chg frm prev (%)	—	*(23.9)*	*(17.0)*	*(12.3)*
Norm EPS (Bt)	0.9	1.4	2.2	3.0
Norm EPS grw (%)	(48.2)	66.1	57.4	34.1
Norm PE (x)	69.6	41.9	26.6	19.9
EV/EBITDA (x)	17.3	12.3	10.4	8.8
P/BV (x)	5.2	4.8	4.3	3.8
Div yield (%)	1.0	1.2	1.9	2.5
ROE (%)	8.7	12.8	17.9	21.2
Net D/E (%)	94.5	96.3	87.6	76.4

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 16-Jun-22 (Bt)	59.75
Market Cap (US$ m)	15,287.0
Listed Shares (m shares)	8,983.1
Free Float (%)	57.8
Avg Daily Turnover (US$ m)	45.7
12M Price H/L (Bt)	68.75/57.00
Sector	Commerce
Major Shareholder	C.P. Merchandising 31.57%

Sources: Bloomberg, Company data, Thanachart estimates

Now a top sector pick

Earnings cut in 2022-24F on our earlier MAKRO earnings downgrade

Despite cutting our earnings estimates for CP All Pcl (CPALL) by 12-24% in 2022-24F on our earlier Siam Makro Pcl (MAKRO TB, BUY, Bt34.50) earnings downgrade but raising them by 7% in 2025-32F on MAKRO's increased store expansions for both its wholesale and retail businesses, our DCF-based 12-month TP remains unchanged at Bt75/share as we roll over our valuation base year to 2023F.

We believe its worst year is over; now it's a top sector pick

We believe CPALL has passed its worst year reaching a normalized profit bottom of Bt8.7bn last year, down 45% y-y from Bt15.9bn in 2020. Besides the COVID impact on its core 7-Eleven business performance leading to two years of negative same-store sales of -14.5% in 2020 and another -6.7% in 2021, the 40% investment in Tesco Asia (now Lotus's) in 4Q20 caused it to draw down a US$2.6bn bridging loan to fund the investment and this drove interest costs up by a total of Bt4.1bn to Bt12.6bn in 2021. Lotus's also experienced its worst year ever with a Bt495m loss last year when it suffered a COVID hit to hypermarket sales and malls' rental income as well as incurring interest costs on the acquisition of US$4bn in debt, and it shared a Bt119m loss with CPALL.

Ex 1: Key Assumption Changes

	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
SSS growth (%) - 7-Eleven											
- New	11.50	7.00	5.00	5.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
- Old	7.00	7.00	6.00	5.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total product margin (%)											
- New	26.2	26.3	26.4	26.5	26.6	26.7	26.8	26.9	27.0	27.1	27.2
- Old	26.4	26.5	26.6	26.7	26.8	26.9	27.0	27.1	27.2	27.3	27.4
Food sales mix (%)											
- New	73.9	74.0	74.1	74.2	74.3	74.4	74.5	74.6	74.7	74.8	74.9
- Old	72.0	72.2	72.4	72.6	72.8	73.0	73.2	73.4	73.6	73.8	74.0
MAKRO's profit (Bt m)											
- New	9,755	13,715	17,381	21,468	25,784	29,429	33,206	36,846	40,771	44,914	49,314
- Old	14,439	20,012	23,343	25,691	27,795	29,710	31,712	33,797	35,965	38,229	40,596
Change (%)	*(32)*	*(31)*	*(26)*	*(16)*	*(7)*	*(1)*	*5*	*9*	*13*	*17*	*21*
Norm profit (Bt m)											
- New	13,751	21,096	27,974	35,343	42,529	48,530	55,986	63,735	72,285	81,378	90,935
- Old	18,061	25,402	31,898	37,598	41,098	46,906	52,677	58,448	65,351	72,539	79,918
Change (%)	*(24)*	*(17)*	*(12)*	*(6)*	*3*	*3*	*6*	*9*	*11*	*12*	*14*

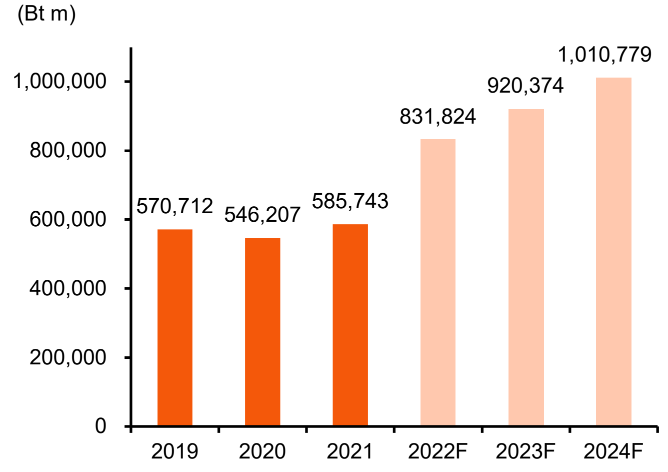
Source: Thanachart estimates

We reaffirm our BUY rating on CPALL and it is our top sector pick.

Bigger fish with complete range of retail formats

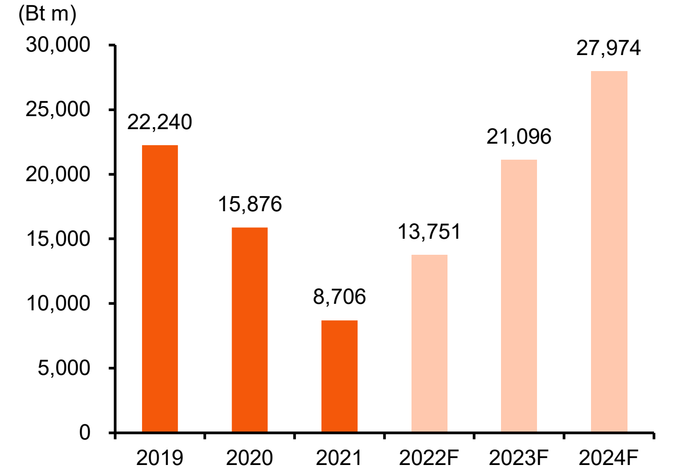
First, CPALL is now a retail giant, owning 7-Eleven convenience stores (CVS) in Thailand and a 59.92% stake in Makro cash & carry and Lotus's retailing. The company is benefiting from a recovery of all three of its businesses; CVS, cash & carry, retail grocery, which we expect to drive a combined Bt1tr in sales by 2024F, up from Bt571bn in 2019.

Ex 2: To Reach Bt1tr Sales In 2024F



Sources: Company data, Thanachart estimates

Ex 3: A New Earnings Cycle



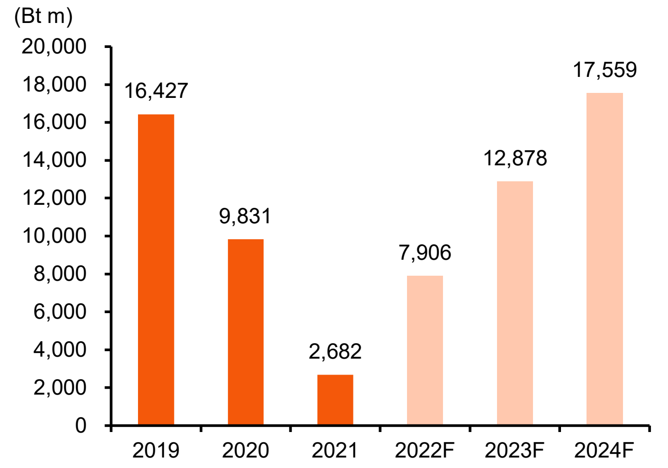
Sources: Company data, Thanachart estimates

A strong EPS turnaround with a 52% three-year CAGR

Second, the profit-bottom year has passed, and we expect a strong earnings turnaround to kick off from this year with an estimated 52% three-year core EPS CAGR in 2022-24F, 66% in 2022F, 57% in 2023F and 34% in 2024F. We forecast profit to surpass the Bt22bn seen in 2019 and reach Bt28bn in 2024F. This should be driven by a full recovery of the 7-Eleven business with Bt17.6bn of profit in 2024F vs. a previous peak of Bt16.4bn in 2019 (see drivers in the next section) and MAKRO (with Lotus's) expected to contribute a higher profit of Bt10.4bn in 2024F (Bt5.7bn from cash & carry and Bt4.7bn from Lotus's) vs. Bt5.8bn in 2019 despite CPALL's stake falling to 59.92% from 93.08%.

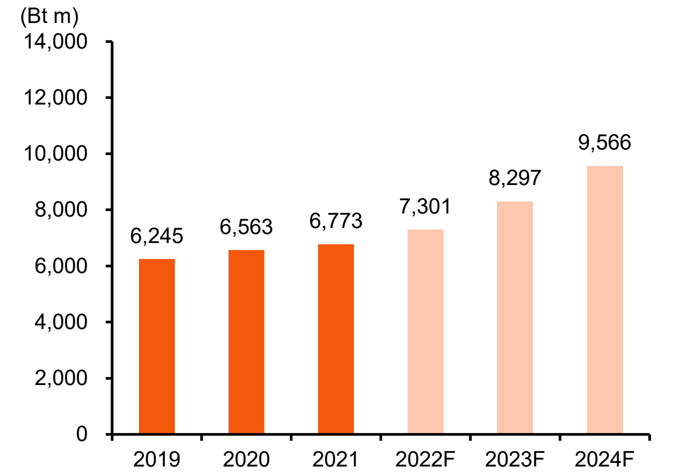
We see CPALL as better off with the completion of MAKRO and Lotus's shareholding restructuring within the group. Despite its reduced stake in MAKRO whose wholesale business is now more mature, it enjoys a larger holding in Lotus's of 59.92% from 40%. We expect Lotus's to experience a sharp earnings recovery in 2022-24F and stronger growth longer term from the expansion of all store formats, growing its fresh food and online sales and deleveraging. See our MAKRO report, *Boosting to BUY*, dated 30 May. Of CPALL's three business segments, we estimate 7-Eleven/cash & carry/Lotus's to contribute 63/20/17% of 2024F net profit, vs. 74/26% from 7-Eleven and cash & carry in 2019.

Ex 4: 7-Eleven's Profit



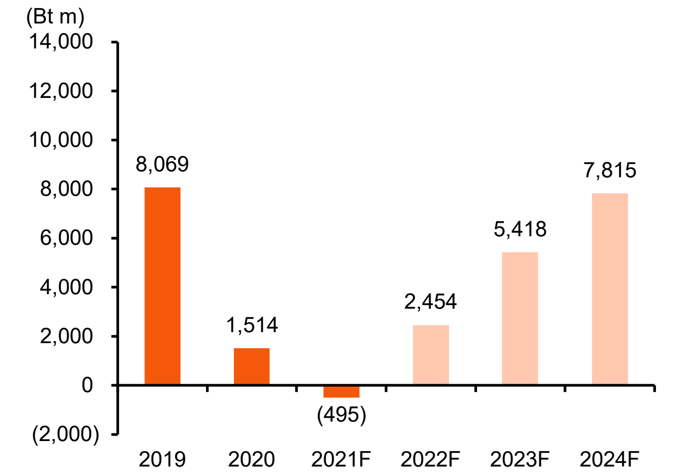
Sources: Company data, Thanachart estimates

Ex 5: Cash & Carry's Profit



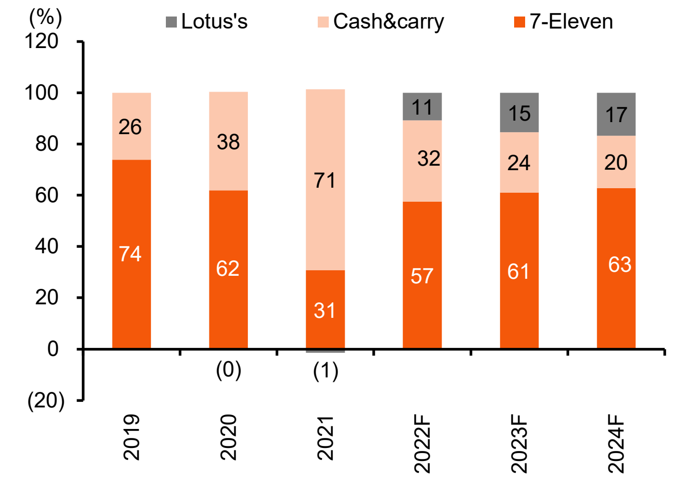
Sources: Company data, Thanachart estimates

Ex 6: Lotus's Profit



Sources: Company data, Thanachart estimates

Ex 7: CPALL's Normalized Profit Breakdown

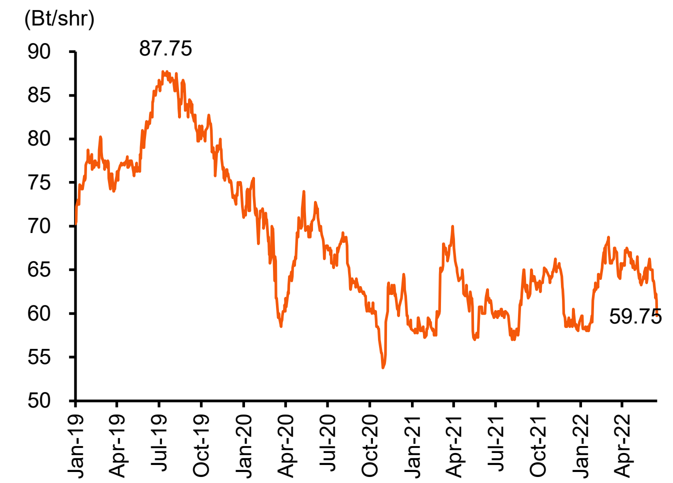


Sources: Company data, Thanachart estimates

Attractive valuation, in our view

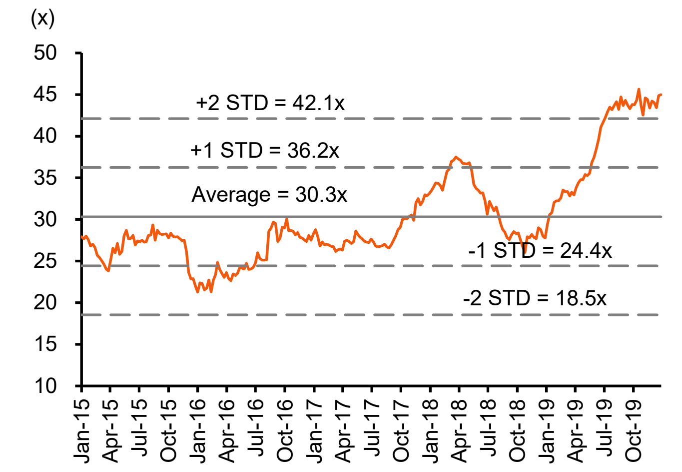
Third, CPALL trades at 19.9x 2024F PE, below its 30x five-year pre-COVID average in 2015-19 and 32% below its Bt87.75 2019 peak.

Ex 8: Peak Share Price Of Bt87.75 In 2019



Source: Bloomberg

Ex 9: CPALL's PE



Sources: Bloomberg, Thanachart

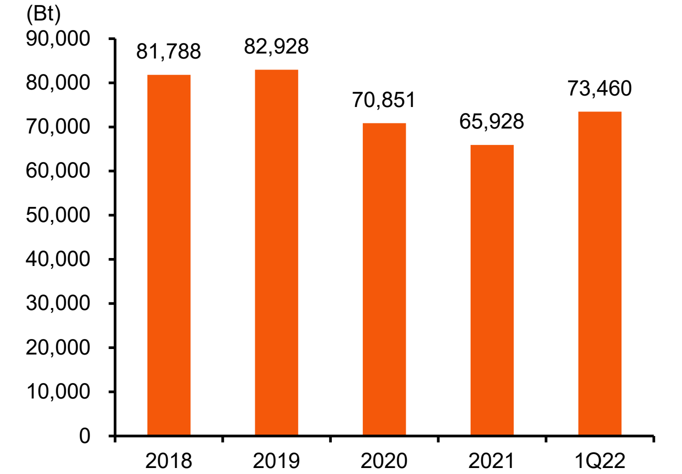
A swift 7-Eleven sales recovery

Sales/store have been recovering quickly

We have seen a faster-than-expected 7-Eleven sales recovery with 1Q22 average daily sales/store of Bt73,460, only 11% below 2019's level and this momentum has continued in 2QTD, though tourists have yet to fully return to Thailand (we estimate foreign tourists accounted for 10% of 7-Eleven sales in normal years before COVID) due to successful O2O sales at 10% of its sales mix and product mix adjustment towards foods and large-sized packages. However, we expect some negative impact on total product margin as gross margin on foods (more budget meals, higher lower-margin food SKUs) declines to below that of non-foods which we expect to become the new normal given changes in product mix.

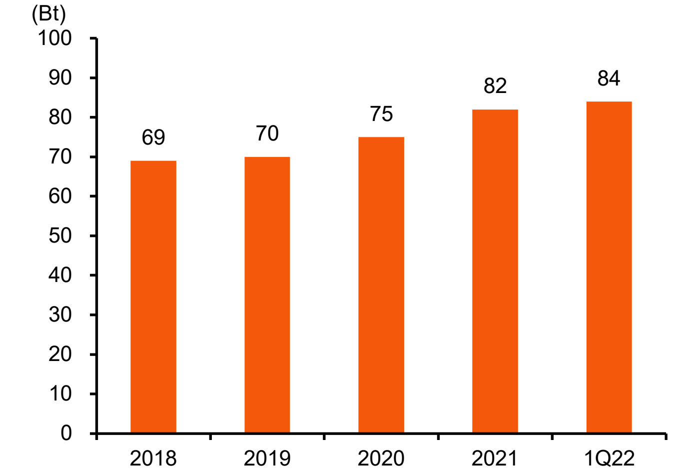
With its successful product mix, we expect spending/ticket to continue to increase while Thai people returning to live their lives normally (going back to schools/offices) and more tourists should drive traffic/store to recover (871 persons/store/day in 1Q22 was still 27% below 2019's level). We assume SSSG of 11.5/7/5% in 2022-24F. With continuing branch expansion of 700 new stores/year, operating leverage from growing sales and lower interest expenses, we estimate 7-Eleven's profit to recover from Bt2.7bn in 2021 to Bt17.6bn in 2024F, or grow by an 87% three-year CAGR.

Ex 10: Average Daily Sales/Store



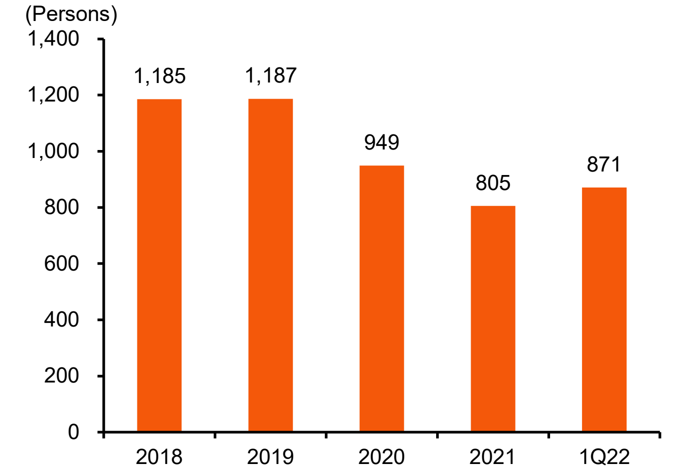
Source: Company data

Ex 11: Spending/Ticket



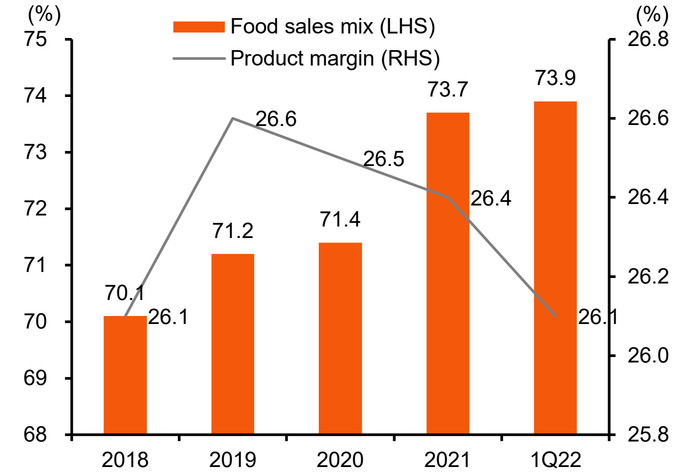
Source: Company data

Ex 12: Traffic/Store/Day



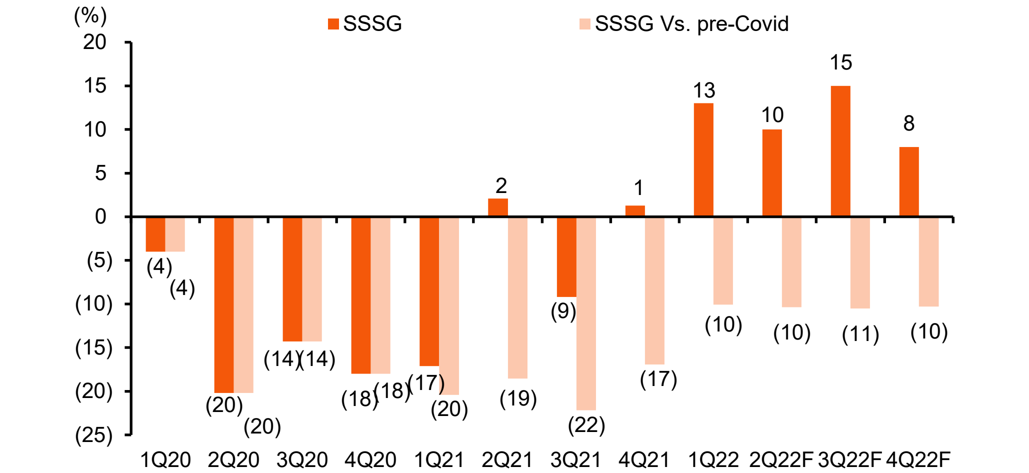
Source: Company data

Ex 13: Food Sales Mix Vs. Product Margin



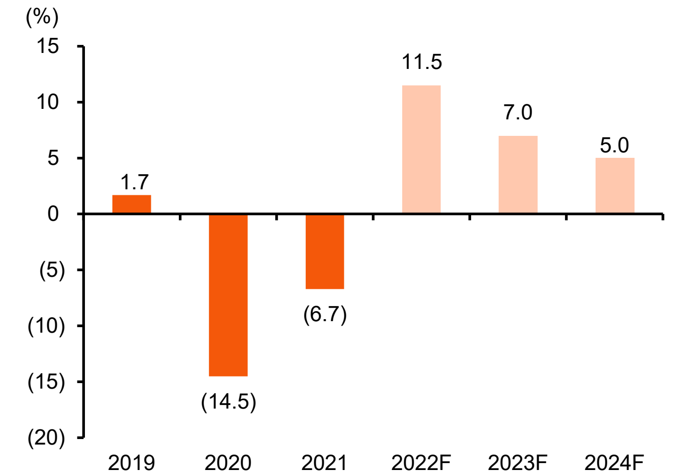
Source: Company data

Ex 14: 7-Eleven's SSSG Vs. Pre-COVID



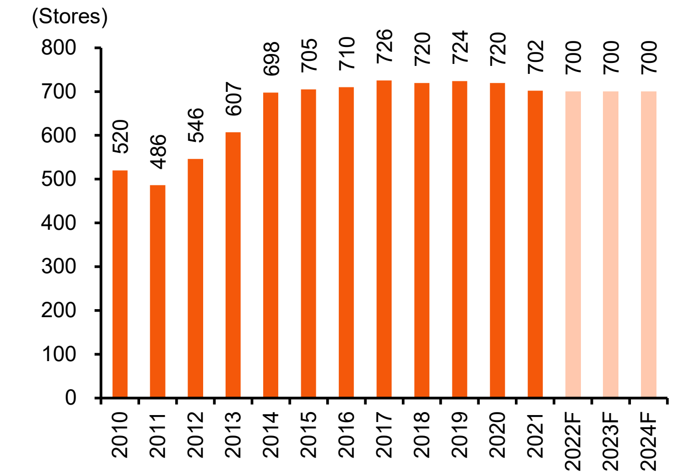
Sources: Company data, Thanachart estimates

Ex 15: 7-Eleven SSSG



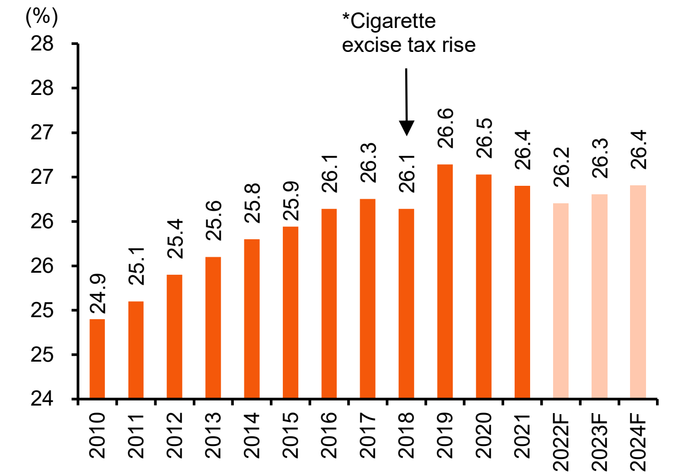
Sources: Company data, Thanachart estimates

Ex 16: 7-Eleven Store Rollout In Thailand



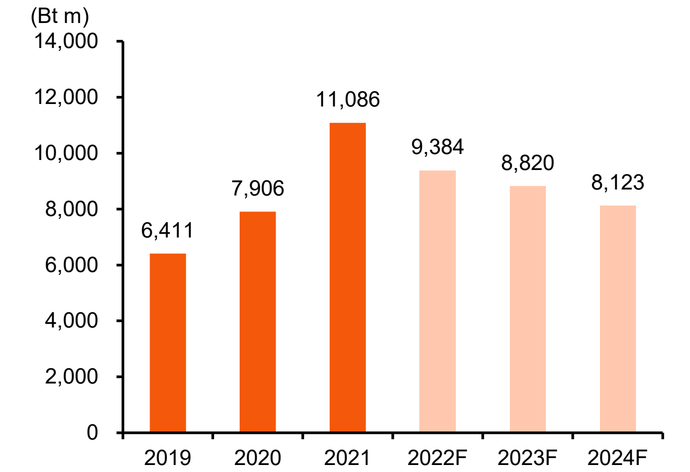
Sources: Company data, Thanachart estimates

Ex 17: Total Product Margin



Sources: Company data, Thanachart estimates

Ex 18: 7-Eleven's Falling Interest Expenses



Sources: Company data, Thanachart estimates

Ex 19: 12-month DCF-based TP Calculation Using A Base Year Of 2023F

(Bt m)		2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA		63,618	75,252	86,477	98,407	109,742	120,253	132,203	144,951	156,955	171,306	178,157	
Free cash flow		26,481	37,075	46,193	58,603	68,209	76,986	88,934	99,585	109,332	121,258	126,212	1,787,577
PV of free cash flow		26,408	31,629	36,399	42,652	44,876	46,571	49,477	50,953	51,447	52,463	47,903	678,470
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	8.3												
Terminal growth (%)	2.0												
Enterprise value - add investments	1,159,249												
Net debt (end-2022F)	292,971												
Minority interest	192,583												
Equity value	673,695												
# of shares (m)	8,983												
Equity value/share (Bt)	**75.00**												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 20: Valuation Comparison With Regional Peers

			EPS growth		—— PE ——		—— P/BV ——		EV/EBITDA		— Div. yield —	
Name	**BBG code**	**Country**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**
			(%)	**(%)**	**(x)**	**(x)**	**(x)**	**(x)**	**(x)**	**(x)**	**(%)**	**(%)**
Marks & Spencer	MKS LN	Britain	na	(20.7)	5.4	6.9	0.9	0.8	4.1	4.5	0.0	0.7
J Sainsbury PLC	SBRY LN	Britain	109.1	(7.4)	8.1	8.8	0.6	0.5	5.0	5.3	7.8	6.5
Tesco	TSCO LN	Britain	110.8	(2.8)	10.4	10.7	1.3	1.0	6.4	6.6	3.6	4.8
Carrefour SA	CA FP	France	21.3	14.7	10.7	9.3	1.3	1.2	5.5	5.1	3.0	3.4
Casino Guichard	CO FP	France	(3.7)	51.8	10.6	7.0	0.5	0.5	6.4	6.0	4.6	0.9
L'Oreal SA	OR FP	France	17.8	8.4	29.1	26.9	6.4	5.8	18.8	17.4	1.5	1.8
Alimentation Couche	ATD/B CN	Canada	7.8	1.9	na	na	na	na	9.7	9.9	na	na
Aeon	8267 JP	Japan	na	128.0	158.5	69.5	2.0	2.0	8.7	8.1	1.6	1.6
Kao Corporation	4452 JP	Japan	(7.7)	12.9	21.4	18.9	2.4	2.3	10.4	9.5	2.9	2.9
Lion Corporation	4912 JP	Japan	(7.3)	0.9	19.8	19.6	1.5	1.4	8.0	7.5	1.7	1.8
Shiseido Co. Ltd	4911 JP	Japan	15.5	69.1	48.7	28.8	3.6	3.4	17.5	12.7	1.0	1.9
Lawson	2651 JP	Japan	105.8	14.1	23.2	20.3	1.6	1.5	3.4	3.1	3.5	3.5
Seven & I Holdings	3382 JP	Japan	36.3	20.1	21.2	17.6	1.6	1.5	8.4	7.0	1.9	2.0
Lotte Corp	004990 KS	South Korea	(8.0)	39.8	13.0	9.3	0.6	0.5	10.6	10.0	3.1	4.3
Shinsegae	004170 KS	South Korea	17.3	16.3	6.7	5.7	0.6	0.5	6.2	5.9	0.8	1.2
Amore Pacific Group	002790 KS	South Korea	(23.7)	32.9	20.1	15.1	1.2	1.2	6.6	5.3	1.2	1.1
Best Buy Co Inc	BBY US	USA	(13.8)	14.5	8.3	7.3	5.5	5.4	4.8	4.5	3.1	3.9
Wal-Mart Stores	WMT US	USA	0.0	8.9	18.6	17.1	3.7	3.3	10.2	9.7	1.8	1.8
Home Depot Inc	HD US	USA	7.1	5.9	16.8	15.9	na	na	12.1	11.8	2.1	2.4
Yonghui Superstores	601933 CH	China	na	111.7	70.2	33.1	3.5	3.1	19.0	15.3	1.2	0.6
Sa International	178 HK	Hong Kong	na	na	na	52.3	3.8	3.6	na	25.3	0.0	0.0
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	12.2	66.4	26.5	15.9	3.1	2.9	9.2	8.6	3.1	3.7
President Chain Store	2912 TT	Taiwan	15.9	11.5	26.5	23.8	7.6	7.2	11.5	11.3	3.0	3.4
7-Eleven Malaysia	SEM MK	Malaysia	188.9	7.7	17.8	16.5	11.6	8.7	7.1	7.1	1.9	2.9
Berli Jucker *	BJC TB	Thailand	47.9	10.7	26.0	23.5	1.1	1.1	13.4	13.0	2.9	3.2
COM7 *	COM7 TB	Thailand	28.4	22.4	22.6	18.4	10.0	8.2	15.8	13.0	2.0	4.4
CP All *	CPALL TB	Thailand	66.1	57.4	41.9	26.6	4.8	4.3	12.3	10.4	1.2	1.9
Central Pattana *	CPN TB	Thailand	146.0	34.3	31.7	23.6	3.3	3.0	18.6	15.1	1.5	1.9
Central Retail Corp. *	CRC TB	Thailand	na	40.3	39.4	28.1	3.5	3.2	9.7	8.8	1.0	1.4
Siam Global House *	GLOBAL TB	Thailand	11.8	20.8	24.6	20.4	4.2	3.7	19.5	16.3	1.6	2.0
Home Product*	HMPRO TB	Thailand	21.1	20.5	26.1	21.7	7.2	6.6	15.0	12.9	3.1	3.7
Siam Makro *	MAKRO TB	Thailand	(20.6)	40.6	37.4	26.6	1.2	1.2	14.4	12.4	2.0	2.8
Mc Group *	MC TB**	Thailand	9.6	25.0	15.0	12.0	2.0	2.0	5.4	4.7	6.7	8.3
Average			**32.6**	**27.5**	**27.6**	**20.5**	**3.3**	**3.0**	**10.4**	**9.8**	**2.4**	**2.7**

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth

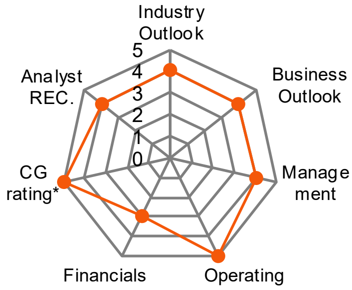
Based on 16 June 2022 closing price

COMPANY DESCRIPTION

C.P. All Pcl (CPALL) is a Thailand-based company that operates convenience stores (CVS) under the 7-Eleven trademark and owns a 59.92% stake in the cash-and-carry operator Siam Makro Pcl (MAKRO) that has Lotus's grocery in Thailand and Malaysia as a wholly-owned subsidiary. The company also engages in related businesses such as bill-payment collection through its subsidiary, Counter Service Co., Ltd., and the manufacture and sale of ready-to-eat foods and bakery items via C.P. Retailing and Marketing Co., Ltd.

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

- Thai CVS market leader and has a natural monopoly with a 64% market share.
- A cash-cow stock operating 7-Eleven stores in Thailand – a very stable and secure business.
- Successful franchise.

W — Weakness

- Too swift expansion may lead to staff shortages.
- Loss in early years from MAKRO's overseas expansion to Cambodia, India, China and Myanmar.
- Rising debt from investment in Lotus via MAKRO.

O — Opportunity

- The Thai CVS market hasn't matured yet while the competitive landscape isn't that fierce.
- Opportunities to open more stores upcountry and also in Bangkok along with mass-transit expansion.
- CLMV expansion.
- New sources of service income.

T — Threat

- Risk of natural disasters.
- Risk of theft.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	76.05	75.00	-1%
Net profit 22F (Bt m)	16,953	13,751	-19%
Net profit 23F (Bt m)	22,092	21,096	-5%
Consensus REC	**BUY: 23**	**HOLD: 4**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F profits are 19% and 5% below the Bloomberg consensus estimates, likely due to us having lower profit forecasts for MAKRO.
- Our DCF-based TP is 1% lower than the Street number, likely as we roll over our base year to 2023F.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- A weaker-than-expected economy would have a direct negative impact on the performance of the 7-Eleven/wholesale/retail businesses as it is highly leveraged to domestic consumption, and this presents the key downside risk to our call.
- If other competitors, i.e., Family Mart, Tops and mini BIGC, expand faster than we currently anticipate and are more successful than we expect now, this would represent a secondary downside risk to our call.
- If its subsidiary MAKRO fails in its ventures abroad and generates larger losses than we currently expect.

Source: Thanachart

We estimate a combined Bt1tr in sales by 2024F

We project normalized EPS growth at a 52% CAGR over 2022-24F

Higher debt burden from investment in Lotus's in late 2020

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	546,207	585,743	831,824	920,374	1,010,779
Cost of sales	410,880	444,838	634,920	700,293	768,024
Gross profit	**135,327**	**140,905**	**196,905**	**220,081**	**242,755**
% gross margin	24.8%	24.1%	23.7%	23.9%	24.0%
Selling & administration expenses	107,858	116,867	162,492	176,404	189,873
Operating profit	**27,469**	**24,038**	**34,413**	**43,677**	**52,881**
% operating margin	5.0%	4.1%	4.1%	4.7%	5.2%
Depreciation & amortization	19,895	22,847	32,889	35,403	37,845
EBITDA	**47,364**	**46,885**	**67,302**	**79,081**	**90,726**
% EBITDA margin	8.7%	8.0%	8.1%	8.6%	9.0%
Non-operating income	157	129	205	158	152
Non-operating expenses	0	0	0	0	0
Interest expense	(8,526)	(12,643)	(14,810)	(13,840)	(12,935)
Pre-tax profit	**19,100**	**11,524**	**19,808**	**29,995**	**40,098**
Income tax	2,759	1,693	3,565	5,399	7,218
After-tax profit	**16,340**	**9,831**	**16,242**	**24,596**	**32,880**
% net margin	3.0%	1.7%	2.0%	2.7%	3.3%
Shares in affiliates' Earnings	(63)	(226)	1,419	1,997	2,060
Minority interests	(400)	(898)	(3,910)	(5,497)	(6,966)
Extraordinary items	226	4,279	0	0	0
NET PROFIT	**16,102**	**12,985**	**13,751**	**21,096**	**27,974**
Normalized profit	**15,876**	**8,706**	**13,751**	**21,096**	**27,974**
EPS (Bt)	1.7	1.3	1.4	2.2	3.0
Normalized EPS (Bt)	1.7	0.9	1.4	2.2	3.0

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	81,404	165,773	135,445	137,784	145,359
Cash & cash equivalent	40,626	97,134	64,786	59,786	59,786
Account receivables	1,650	3,341	2,507	2,774	3,046
Inventories	31,749	50,535	52,185	57,558	63,125
Others	7,379	14,764	15,967	17,666	19,402
Investments & loans	85,586	14,836	14,836	14,836	14,836
Net fixed assets	120,199	211,533	225,708	236,228	243,923
Other assets	236,165	539,750	531,997	522,557	512,720
Total assets	**523,354**	**931,893**	**907,986**	**911,405**	**916,838**
LIABILITIES:					
Current liabilities:	123,383	214,888	204,697	211,245	217,743
Account payables	72,778	106,863	109,589	118,954	128,355
Bank overdraft & ST loans	1,056	42,691	10,733	10,251	9,691
Current LT debt	19,825	19,366	34,702	33,144	31,335
Others current liabilities	29,723	45,968	49,673	48,897	48,362
Total LT debt	**221,503**	**311,679**	**312,322**	**298,296**	**282,013**
Others LT liabilities	66,874	112,518	86,856	79,872	72,418
Total liabilities	**411,759**	**639,085**	**603,875**	**589,413**	**572,173**
Minority interest	14,836	188,673	192,583	198,080	205,046
Preferreds shares	0	0	0	0	0
Paid-up capital	8,983	8,983	8,983	8,983	8,983
Share premium	1,684	1,684	1,684	1,684	1,684
Warrants	0	0	0	0	0
Surplus	16,833	20,224	20,224	20,224	20,224
Retained earnings	**69,258**	**73,242**	**80,636**	**93,020**	**108,726**
Shareholders' equity	96,759	104,134	111,528	123,912	139,618
Liabilities & equity	**523,354**	**931,893**	**907,986**	**911,405**	**916,838**

Sources: Company data, Thanachart estimates

Business is generating strong free cash flows

Inexpensive PEs in our view with strong EPS growth from 2022F

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	19,100	11,524	19,808	29,995	40,098
Tax paid	(3,082)	(1,565)	(3,032)	(5,184)	(7,021)
Depreciation & amortization	19,895	22,847	32,889	35,403	37,845
Chg In working capital	(5,915)	13,609	1,909	3,725	3,561
Chg In other CA & CL / minorities	11,869	180,224	568	(3,331)	(2,871)
Cash flow from operations	**41,867**	**226,639**	**52,141**	**60,608**	**71,612**
Capex	(15,009)	(103,721)	(34,530)	(33,000)	(32,220)
Right of use	(61,902)	(34,828)	(3,483)	(3,483)	(3,483)
ST loans & investments	0	0	0	0	0
LT loans & investments	(85,552)	70,751	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	46,238	(228,482)	(24,139)	(4,348)	(4,991)
Cash flow from investments	**(116,225)**	**(296,280)**	**(62,152)**	**(40,831)**	**(40,694)**
Debt financing	97,547	131,760	(15,980)	(16,066)	(18,651)
Capital increase	0	0	0	0	0
Dividends paid	(11,229)	(8,085)	(6,358)	(8,712)	(12,267)
Warrants & other surplus	(1,854)	2,475	0	0	0
Cash flow from financing	**84,465**	**126,150**	**(22,338)**	**(24,778)**	**(30,919)**
Free cash flow	**26,858**	**122,918**	**17,611**	**27,608**	**39,392**

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	36.1	69.6	41.9	26.6	19.9
Normalized PE - at target price (x)	45.3	87.4	52.6	33.4	24.9
PE (x)	35.5	44.8	41.9	26.6	19.9
PE - at target price (x)	44.6	56.2	52.6	33.4	24.9
EV/EBITDA (x)	15.6	17.3	12.3	10.4	8.8
EV/EBITDA - at target price (x)	18.5	20.3	14.4	12.1	10.3
P/BV (x)	5.5	5.2	4.8	4.3	3.8
P/BV - at target price (x)	7.0	6.5	6.0	5.4	4.8
P/CFO (x)	12.8	2.4	10.3	8.9	7.5
Price/sales (x)	1.0	0.9	0.6	0.6	0.5
Dividend yield (%)	1.5	1.0	1.2	1.9	2.5
FCF Yield (%)	5.0	22.9	3.3	5.1	7.3
(Bt)					
Normalized EPS	1.7	0.9	1.4	2.2	3.0
EPS	1.7	1.3	1.4	2.2	3.0
DPS	0.9	0.6	0.7	1.1	1.5
BV/share	10.8	11.6	12.4	13.8	15.5
CFO/share	4.7	25.2	5.8	6.7	8.0
FCF/share	3.0	13.7	2.0	3.1	4.4

Sources: Company data, Thanachart estimates

We forecast ROE to head back up from this year

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(4.3)	7.2	42.0	10.6	9.8
Net profit (%)	(27.9)	(19.4)	5.9	53.4	32.6
EPS (%)	(32.4)	(20.6)	6.8	57.4	34.1
Normalized profit (%)	(28.6)	(45.2)	57.9	53.4	32.6
Normalized EPS (%)	(33.1)	(48.2)	66.1	57.4	34.1
Dividend payout ratio (%)	53.5	45.0	50.0	50.0	50.0
Operating performance					
Gross margin (%)	24.8	24.1	23.7	23.9	24.0
Operating margin (%)	5.0	4.1	4.1	4.7	5.2
EBITDA margin (%)	8.7	8.0	8.1	8.6	9.0
Net margin (%)	3.0	1.7	2.0	2.7	3.3
D/E (incl. minor) (x)	2.2	1.3	1.2	1.1	0.9
Net D/E (incl. minor) (x)	1.8	0.9	1.0	0.9	0.8
Interest coverage - EBIT (x)	3.2	1.9	2.3	3.2	4.1
Interest coverage - EBITDA (x)	5.6	3.7	4.5	5.7	7.0
ROA - using norm profit (%)	3.5	1.2	1.5	2.3	3.1
ROE - using norm profit (%)	16.7	8.7	12.8	17.9	21.2
DuPont					
ROE - using after tax profit (%)	17.2	9.8	15.1	20.9	25.0
- asset turnover (x)	1.2	0.8	0.9	1.0	1.1
- operating margin (%)	5.1	4.1	4.2	4.8	5.2
- leverage (x)	4.7	7.2	8.5	7.7	6.9
- interest burden (%)	69.1	47.7	57.2	68.4	75.6
- tax burden (%)	85.6	85.3	82.0	82.0	82.0
WACC (%)	8.3	8.3	8.3	8.3	8.3
ROIC (%)	11.3	6.9	7.4	8.9	10.7
NOPAT (Bt m)	23,500	20,506	28,219	35,815	43,363
invested capital (Bt m)	298,517	380,737	404,499	405,817	402,872

Sources: Company data, Thanachart estimates

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Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

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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.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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