BUY (Unchanged) | **TP: Bt 24.00** (Unchanged)

Change in Numbers | **Upside : 31.1%** | **9 JUNE 2022**

Small Cap Research

Nex Point (NEX TB)

The time is now

After its key customers were granted licenses to operate public bus services in Bangkok, we expect NEX's E-bus sales to resume this June. Despite sales being delayed from 1Q22, we still believe they will eventually take place. We reaffirm our BUY on NEX with a TP of Bt24.

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Thanachart Securities

Buyers have to buy

Two of NEX's major customers have won licenses for a combined 106 public bus service routes in Bangkok with services having to start within six months (by October 2022). Total required buses for those routes are projected at 3.1k with around 1.1k buses potentially starting services by October. We expect NEX to deliver a total of 1.5k E-buses this year and 2.5k in 2023F, backed by major orders from these two customers and some other private bus fleet operators. Although the sales are delayed from 1Q22 due to the later-than-expected license announcement, we reaffirm our BUY call on NEX as we project its earnings to grow from Bt1.1bn in 2022F to Bt2.2/2.9bn in 2023-24F. This is despite us already cutting our earnings by 37/11/7% in those years to reflect the delayed restart of E-bus deliveries and lower margin assumptions. We thus maintain our SOTP-based 12-month TP at Bt24 after rolling over to a 2023F base year.

New lot sales in June

Due to the delay in awarding licenses for new public bus operators in Bangkok, from late 2021 to April 2022, we expect NEX to start delivering only 100 E-buses in 2Q22F (from 500) and thus cut its E-bus sales to 1.5k units in 2022F (from 2.0k). But we maintain our sales estimate for 2.5/3.0k units in 2023-24F backed by 1) over 3.0k units of E-bus demand from two key customers, Thai Smile Bus and Smartbus, which were granted the public bus licenses; 2) the potential for the Bangkok Mass Transit Authority's (BMTA) 3,000 buses to soon be converted into an E-bus fleet following the government's policy to electrify all public vehicles; and 3) demand from private bus operators to modernize their fleets, go with the green trend and reduce costs.

E-trucks as a new core product

We factor in NEX's E-truck sales of 0.5/3.0/4.0k units in 2022-24F (1/4/6% of Thai annual truck demand during 2017-21). NEX plans to launch its E-truck products in 3Q22F and deliver the first lot later in the year. NEX has received good feedback from potential buyers testing its E-trucks during the past few months, while we believe improving EV infrastructure in Thailand will bolster confidence among private logistic operators to electrify their fleets amid the strong cost pressure from the surge in oil prices.

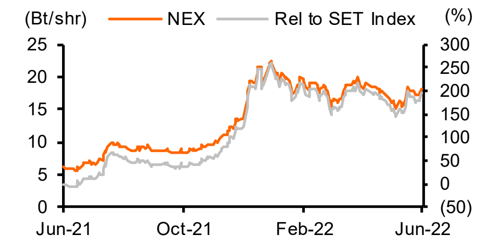
High-margin service offerings

We estimate NEX's profit to triple from Bt1.1bn in 2022F to Bt3.4bn in 2025F, when we expect its 45%-owned commercial-EV factory "Absolute Assembly" (ABB) to run at full capacity of 3.0k E-buses and 5.0k units of E-trucks a year. These sales come with long-term maintenance services which would become recurring income for NEX. We estimate service income to have a 40% gross margin vs. 15-20% from EV production by ABB.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	666	11,015	16,860	19,680
Net profit	(107)	1,058	2,225	2,932
Consensus NP	—	1,169	1,880	2,438
Diff frm cons (%)	—	*(9.5)*	*18.4*	*20.3*
Norm profit	(97)	1,058	2,225	2,932
Prev. Norm profit	—	1,682	2,490	3,142
Chg frm prev (%)	—	*(37.1)*	*(10.7)*	*(6.7)*
Norm EPS (Bt)	(0.1)	0.6	1.2	1.5
Norm EPS grw (%)	na	na	110.4	31.8
Norm PE (x)	na	32.8	15.6	11.8
EV/EBITDA (x)	na	41.5	22.6	16.8
P/BV (x)	12.1	9.0	6.6	5.1
Div yield (%)	0.0	1.5	3.2	5.1
ROE (%)	na	31.4	48.6	48.6
Net D/E (%)	(31.4)	9.3	6.1	(2.4)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 09-Jun-22 (Bt)	18.30
Market Cap (US$ m)	888.8
Listed Shares (m shares)	1,674.5
Free Float (%)	40.0
Avg Daily Turnover (US$ m)	7.6
12M Price H/L (Bt)	22.40/5.70
Sector	Electronic
Major Shareholder	EA Mobility Holding 40%

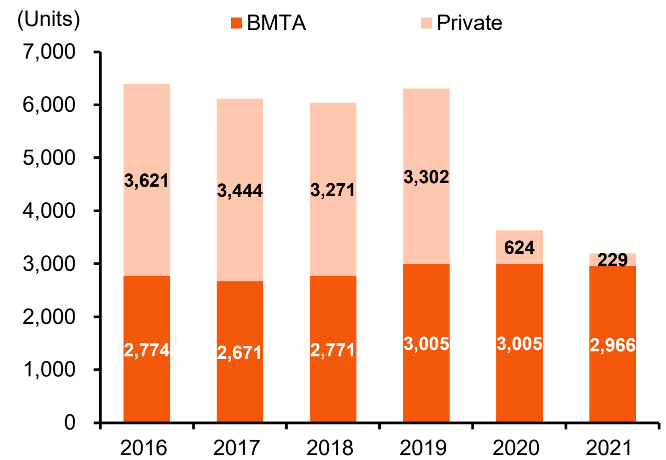
Sources: Bloomberg, Company data, Thanachart estimates

Buyers have to buy

Strong E-bus demand from public bus service in Bangkok

We see Nex Point Pcl (NEX) as the biggest beneficiary of the government's policy to electrify public vehicles in the country, starting with transforming public buses in Bangkok to an electric fleet. The Department of Land Transport, as the new regulator for public bus services in Bangkok, has granted licenses for a total of 106 routes in the Bangkok area to two of NEX's major customers – 71 routes to "Thai Smile Bus" and 35 to "Smartbus". Those two operators are obligated to procure at least 1,100 E-buses for service by October this year with the potential to expand their fleets to up to 3,380 E-buses combined. Since NEX is now the only E-bus supplier to those two companies, this creates a strong order backlog to be delivered over 2H22-2023F. We expect NEX to book 1,500 E-bus sales in 2022F, beginning with the delivery of 100 units in June (2Q22F), rising to 2,500 in 2023F where it would gain distribution margin, shared profit from its 45% stake in the E-bus manufacturing plant (Absolute Assembly, AAB), and recurring revenue streams from long-term repair and maintenance service contracts.

Ex 1: Number Of Public Buses In Bangkok



Source: Bangkok Mass Transit Authority (BMTA)

Ex 2: New Licenses Granted To NEX's Major Customers

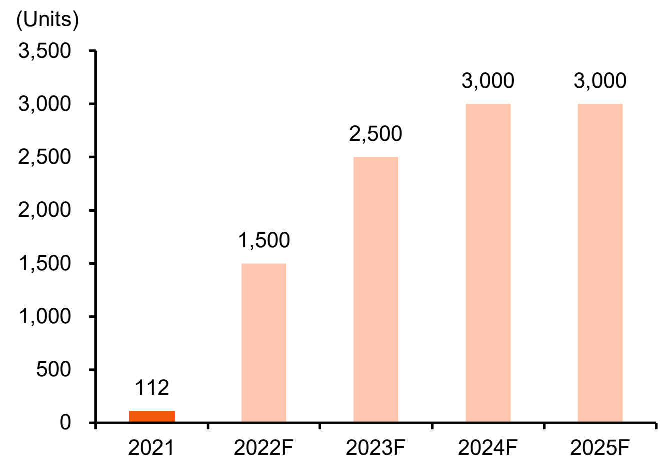
Company	# Routes	# Buses	
		Min	Max
Thai Smile Bus	71	758	2,130
Smartbus	35	400	1,250
Total	**106**	**1,158**	**3,380**

Sources: Department of Land Transport, TSB, Energy Absolute (EA)

We expect annual E-bus sales to reach full potential of 3,000 units in 2024F

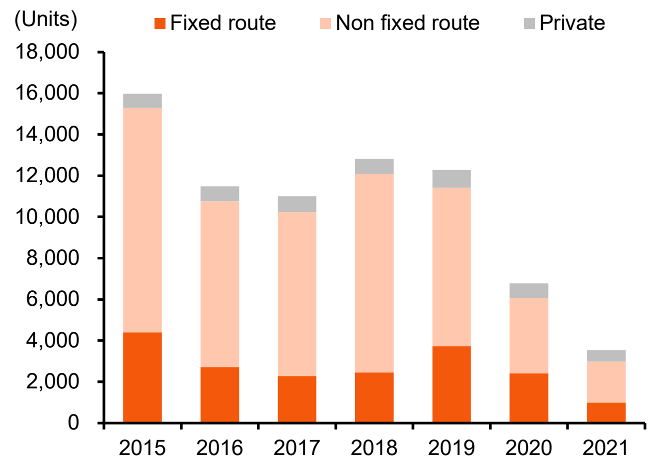
We estimate 3,000 E-bus sales for NEX in 2024F since we believe there will be E-bus demand from the Bangkok Mass Transit Authority (BMTA) to electrify its operating fleet of 2,966 buses (as of September 2021) and private bus operators in other segments of the transportation service industry (i.e., provincial fixed-route buses, shuttle bus services for corporates, and tourism buses) including other private uses. Lower operating costs (fuel and maintenance) look set to be the key catalysts for operators to adopt electric fleets, while potential incentives from the government to promote the EV market in Thailand and the rising environmental awareness trend are two other supporting factors. We don't think our assumptions are too aggressive since they imply only up to a 25% share of Thailand's annual bus demand of around 12k units pre-COVID (2016-19), while NEX is now the only E-bus provider in the country, thus having first-mover benefits to secure its market share.

Ex 3: Our Forecasts For NEX's E-Bus Sales



Sources: Company data, Thanachart estimates

Ex 4: Annual Bus Demand In Thailand



Source: Department of Land Transport

E-trucks as a new core product

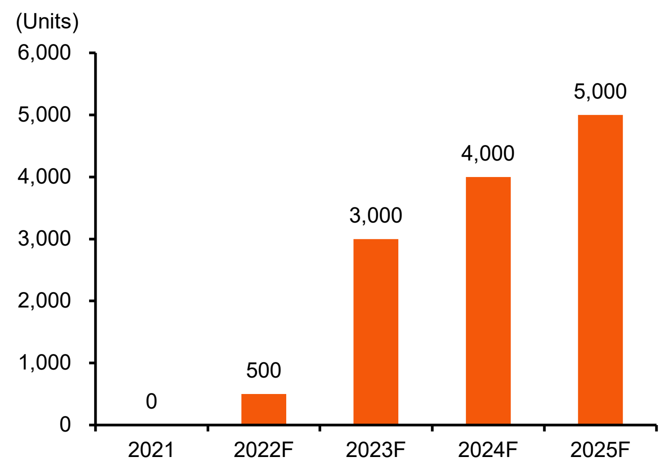
E-trucks scheduled to be launched in 2H22

After providing E-truck prototypes for its potential buyers to test over the past few months, NEX plans to launch E-truck products in 3Q22F and to deliver the first lot of sales by year-end. Based on the positive feedback received from logistic operators, especially cost savings during the current high oil price environment, we expect NEX to sell 500 E-trucks in 2022F before a jump to 4,000 and 5,000 units in 2023-24F (implying 1/6/7% of Thai average annual truck demand of 70k units over 2017-21).

We estimate NEX's earnings to triple to Bt3.2bn in 2025F

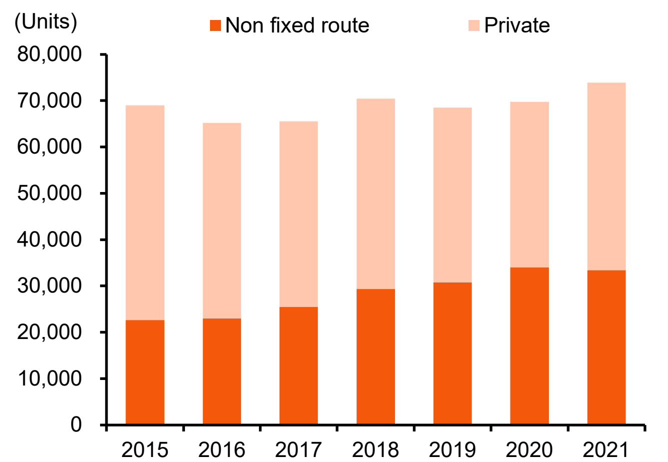
We project NEX's earnings base to reach its full potential of Bt3.4bn in 2025F, backed by growing annual commercial-EV (CEV) sales of 3,000 E-buses and 5,000 E-trucks and its recurring revenue base accumulating from long-term and maintenance services for those CEVs. We therefore foresee its PE of 33x in 2022F swiftly falling to 10x in 2025F, which looks attractive to us. We reaffirm our BUY rating on shares of NEX with an unchanged DCF-derived SOTP-based 12-month TP of Bt24.0 after rolling over to a 2023F base year.

Ex 5: Our Forecasts For NEX's E-Truck Sales



Sources: Company data, Thanachart estimates

Ex 6: Annual Truck Demand In Thailand



Source: Department of Land Transport

Ex 7: DCF-derived SOTP-based 12-month 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	1,553	2,056	2,387	2,712	3,034	3,354	3,531	3,538	3,515	3,489	3,459	—
Free cash flow	(752)	361	1,717	1,996	2,272	2,545	2,760	2,843	2,836	2,813	2,787	44,302
PV of free cash flow	(700)	313	1,385	1,499	1,552	1,610	1,618	1,544	1,427	1,312	1,145	18,203

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.0
WACC (%)	7.4
Terminal growth (%)	2.0
Enterprise value	**30,907**
Net debt (end-2022F)	382
Minority interest	221
Equity value	30,304
# of shares (m) *	1,897
Equity value/share (Bt)	**15.97**

Plus associates	Value per share
Associates and affiliates	
Absolute Assembly	**8.0**
- E-bus	4.4
- E-truck	3.7
Total	**24.0**

Sources: Company data, Thanachart estimates

Note: * We use fully diluted shares where we assume all of its warrants (NEX-W2) are exercised.

Valuation Comparison

Ex 8: 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 (%)	EV/EBITDA 23F (%)	Div. yield 22F (%)	Div. yield 23F (%)
BYD Co Ltd	1211 HK	China	131.8	51.8	122.1	80.5	8.6	7.4	32.3	24.0	0.1	0.1
DongFeng Automobile	600006 CH	China	45.2	29.6	33.5	25.9	2.1	2.0	39.7	39.4	na	na
Yutong Bus Co Ltd	600066 CH	China	21.1	56.3	23.3	14.9	1.2	1.2	12.9	11.0	2.4	3.8
Proterra Inc	PTRA US	USA	(62.8)	(19.2)	(8.5)	(10.5)	2.8	3.3	na	na	0.0	0.0
Construcciones y Auxiliar	CAF SM	Spain	8.1	14.7	11.2	9.8	1.3	1.2	5.3	4.9	3.5	3.9
Hino Motors Ltd	7205 JP	Japan	(36.3)	(88.2)	(7.9)	(66.9)	0.8	1.0	6.5	9.1	2.1	1.5
AAPICO Hitech	AH TB	Thailand	8.8	15.7	7.6	6.5	0.9	0.8	7.5	7.0	4.5	5.4
PCS Machine Group	PCSGH TB	Thailand	42.0	10.6	11.3	10.2	1.7	1.7	na	na	7.9	8.9
NEX Point *	NEX TB	Thailand	na	110.4	32.8	15.6	9.0	6.6	41.5	22.6	1.5	3.2
Somboon Advance Tech *	SAT TB	Thailand	6.0	28.6	7.8	6.1	1.0	0.9	3.3	2.4	7.7	9.9
Thai Stanley Electric *	STANLY TB	Thailand	44.7	31.6	9.3	7.1	0.7	0.7	2.6	2.2	4.7	4.5
Average			**20.9**	**22.0**	**22.0**	**9.0**	**2.7**	**2.4**	**16.8**	**13.6**	**3.4**	**4.1**

Source: Bloomberg

Note: *Thanachart estimates, using Thanachart normalized EPS

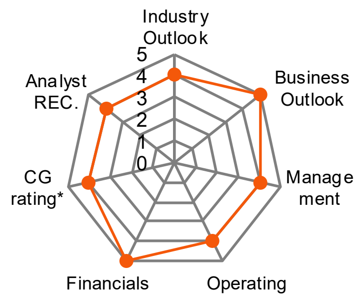
Based on 9 Jun 2022 closing prices

COMPANY DESCRIPTION

Nex Point Pcl (NEX) operates various bus-related service businesses around its core operation of bus assembly plant, Absolute Assembly (AAB), in which it has co-invested at a 45% stake with its major partner. NEX's major role is as a key distributor of electric buses and other electric commercial vehicles produced by AAB. It also provides long-term repair and maintenance services for those products. NEX is expanding downstream to become a public transport service operator using electric vehicles.

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 knowledge and experience in the Thai bus market as it has been in the business for over 10 years.
- Strong relationships with customers, especially with operators of tourism and public transport buses.

W — Weakness

- Relies on technology from its partner in developing electric bus models.
- All services provided are linked to the ability of its joint venture bus assembly plant to produce and deliver E-buses to customers.

O — Opportunity

- Plenty of available demand for E-bus and other electric commercial vehicles in Thailand as there are no major players in the industry.
- Exporting E-buses and other electric commercial vehicles to neighbouring countries, leveraging on the free-trade agreement (FTA) between ASEAN countries.

T — Threat

- Imports of low-cost electric buses from China.
- New local players may emerge when electric vehicle technology become mainstream.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	22.80	24.00	5%
Net profit 22F (Bt m)	1,169	1,058	-9%
Net profit 23F (Bt m)	1,880	2,225	18%
Consensus REC	**BUY: 2**	**HOLD: 0**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023F earnings forecast is 18% higher than the Bloomberg consensus number, likely since we assume higher CEV sales from NEX compared to the Street.
- Our TP is therefore 5% higher.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Lower-than-expected demand for E-buses in Thailand is the key downside risk to our earnings forecasts and valuation.
- Less aggressive support from the government's EV policy is another key downside risk to our numbers.
- A lifting of the import tax on electric buses from China, or other countries, could result in downside risk to our forecasts.
- A delay of plant construction or any factors that result in a delay to its bus deliveries is another secondary downside risk to our numbers.

Source: Thanachart

Emerging CEV sales drive earnings growth

Asset-light EV distributor business model

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	1,404	666	11,015	16,860	19,680
Cost of sales	1,231	519	9,509	14,404	16,606
Gross profit	**173**	**147**	**1,506**	**2,456**	**3,074**
% gross margin	12.3%	22.1%	13.7%	14.6%	15.6%
Selling & administration expenses	282	271	771	1,056	1,195
Operating profit	**(110)**	**(123)**	**735**	**1,400**	**1,879**
% operating margin	-7.8%	-18.5%	6.7%	8.3%	9.5%
Depreciation & amortization	63	85	110	153	178
EBITDA	**(47)**	**(38)**	**845**	**1,553**	**2,056**
% EBITDA margin	-3.3%	-5.7%	7.7%	9.2%	10.4%
Non-operating income	17	22	22	23	24
Non-operating expenses	0	0	0	0	0
Interest expense	(16)	(8)	(58)	(111)	(121)
Pre-tax profit	**(109)**	**(110)**	**700**	**1,312**	**1,781**
Income tax	8	(29)	105	197	267
After-tax profit	**(117)**	**(81)**	**595**	**1,115**	**1,514**
% net margin	-8.3%	-12.1%	5.4%	6.6%	7.7%
Shares in affiliates' Earnings	(6)	(5)	473	1,125	1,436
Minority interests	(13)	(12)	(10)	(15)	(17)
Extraordinary items	(77)	(10)	0	0	0
NET PROFIT	**(214)**	**(107)**	**1,058**	**2,225**	**2,932**
Normalized profit	**(136)**	**(97)**	**1,058**	**2,225**	**2,932**
EPS (Bt)	(0.1)	(0.1)	0.6	1.2	1.5
Normalized EPS (Bt)	(0.1)	(0.1)	0.6	1.2	1.5

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	1,871	1,744	6,847	10,334	12,264
Cash & cash equivalent	1,410	971	1,000	1,500	2,000
Account receivables	129	199	3,018	4,619	5,392
Inventories	124	139	2,605	3,946	4,550
Others	207	435	224	269	322
Investments & loans	476	837	1,337	1,837	2,337
Net fixed assets	536	539	959	1,090	1,198
Other assets	735	793	795	822	835
Total assets	**3,617**	**3,913**	**9,937**	**14,084**	**16,634**
LIABILITIES:					
Current liabilities:	277	735	4,751	7,017	7,887
Account payables	149	164	3,126	4,735	5,459
Bank overdraft & ST loans	0	7	691	918	915
Current LT debt	0	0	345	459	458
Others current liabilities	128	564	589	905	1,054
Total LT debt	**0**	**0**	**345**	**459**	**458**
Others LT liabilities	175	108	744	1,092	1,260
Total liabilities	**452**	**843**	**5,841**	**8,568**	**9,604**
Minority interest	204	211	221	237	254
Preferreds shares	0	0	0	0	0
Paid-up capital	1,674	1,674	1,897	1,897	1,897
Share premium	1,543	1,543	1,543	1,543	1,543
Warrants	0	0	0	0	0
Surplus	(5)	(5)	(5)	(5)	(5)
Retained earnings	**(251)**	**(354)**	**440**	**1,844**	**3,340**
Shareholders' equity	2,961	2,859	3,875	5,279	6,776
Liabilities & equity	**3,617**	**3,913**	**9,937**	**14,084**	**16,634**

Sources: Company data, Thanachart estimates

Low capex requirements ahead

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	(109)	(110)	700	1,312	1,781
Tax paid	(1)	26	(51)	(162)	(254)
Depreciation & amortization	63	85	110	153	178
Chg In working capital	(60)	(71)	(2,322)	(1,333)	(652)
Chg In other CA & CL / minorities	153	416	433	1,362	1,518
Cash flow from operations	**46**	**347**	**(1,130)**	**1,332**	**2,571**
Capex	(411)	(88)	(530)	(285)	(285)
Right of use	(96)	7	0	0	0
ST loans & investments	0	(222)	222	0	0
LT loans & investments	(476)	(361)	(500)	(500)	(500)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(311)	(133)	634	320	155
Cash flow from investments	**(1,294)**	**(798)**	**(174)**	**(465)**	**(630)**
Debt financing	(117)	7	1,374	454	(5)
Capital increase	2,685	0	223	0	0
Dividends paid	0	0	(264)	(821)	(1,436)
Warrants & other surplus	4	4	0	0	0
Cash flow from financing	**2,572**	**11**	**1,333**	**(367)**	**(1,441)**
Free cash flow	**(365)**	**259**	**(1,660)**	**1,047**	**2,286**

Attractive valuation compared to its earnings growth pace, in our view

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	na	na	32.8	15.6	11.8
Normalized PE - at target price (x)	na	na	43.1	20.5	15.5
PE (x)	na	na	32.8	15.6	11.8
PE - at target price (x)	na	na	43.1	20.5	15.5
EV/EBITDA (x)	na	na	41.5	22.6	16.8
EV/EBITDA - at target price (x)	na	na	54.3	29.5	22.1
P/BV (x)	11.7	12.1	9.0	6.6	5.1
P/BV - at target price (x)	15.4	15.9	11.8	8.6	6.7
P/CFO (x)	748.6	100.0	(30.7)	26.1	13.5
Price/sales (x)	21.8	46.0	2.8	1.8	1.6
Dividend yield (%)	0.0	0.0	1.5	3.2	5.1
FCF Yield (%)	(1.1)	0.7	(4.8)	3.0	6.6
(Bt)					
Normalized EPS	(0.1)	(0.1)	0.6	1.2	1.5
EPS	(0.1)	(0.1)	0.6	1.2	1.5
DPS	0.0	0.0	0.3	0.6	0.9
BV/share	1.6	1.5	2.0	2.8	3.6
CFO/share	0.0	0.2	(0.6)	0.7	1.4
FCF/share	(0.2)	0.1	(0.9)	0.6	1.2

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	79.2	(52.5)	1,552.8	53.1	16.7
Net profit (%)	na	na	na	110.4	31.8
EPS (%)	na	na	na	110.4	31.8
Normalized profit (%)	na	na	na	110.4	31.8
Normalized EPS (%)	na	na	na	110.4	31.8
Dividend payout ratio (%)	0.0	0.0	50.0	50.0	60.0
Operating performance					
Gross margin (%)	12.3	22.1	13.7	14.6	15.6
Operating margin (%)	(7.8)	(18.5)	6.7	8.3	9.5
EBITDA margin (%)	(3.3)	(5.7)	7.7	9.2	10.4
Net margin (%)	(8.3)	(12.1)	5.4	6.6	7.7
D/E (incl. minor) (x)	0.0	0.0	0.3	0.3	0.3
Net D/E (incl. minor) (x)	(0.4)	(0.3)	0.1	0.1	(0.0)
Interest coverage - EBIT (x)	na	na	12.8	12.6	15.5
Interest coverage - EBITDA (x)	na	na	14.7	14.0	17.0
ROA - using norm profit (%)	na	na	15.3	18.5	19.1
ROE - using norm profit (%)	na	na	31.4	48.6	48.6
DuPont					
ROE - using after tax profit (%)	na	na	17.7	24.4	25.1
- asset turnover (x)	0.6	0.2	1.6	1.4	1.3
- operating margin (%)	na	na	6.9	8.4	9.7
- leverage (x)	1.3	1.3	2.1	2.6	2.5
- interest burden (%)	117.1	107.9	92.4	92.2	93.6
- tax burden (%)	na	na	85.0	85.0	85.0
WACC (%)	7.4	7.4	7.4	7.4	7.4
ROIC (%)	(21.2)	(8.0)	33.0	28.0	28.4
NOPAT (Bt m)	(110)	(123)	625	1,190	1,597
invested capital (Bt m)	1,551	1,895	4,257	5,615	6,607

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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