

BUY (Unchanged)

Change in Numbers

TP: Bt 56.00 (From: Bt 58.00)**Upside : 25.8%****6 SEPTEMBER 2022**

PTT Global Chemical Pcl (PTTGC TB)

Limited downside

We maintain our BUY call on PTTGC despite trimming our TP to Bt56 from Bt58 mainly because of lower chemical spread assumptions. We believe the negative factors are priced in and at their worst points. We see PTTGC offering attractive value, trading at just 0.6x 2023F P/BV (the lowest among its peer group) with a 5% dividend yield.

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Maintain BUY; Offering good value

We maintain our BUY call on PTTGC. **Firstly**, most of the bad news is unlikely to be new news such as a huge hedging loss, weak chemical margins and feedstock mix change. **Secondly**, despite our lowered earnings, we see PTTGC as attractive trading at 8.5x PE and only 0.6x P/BV, the lowest among peers with good dividend yield support of 5%. **Thirdly**, we see the negative factors as already at or near their worst points, implying limited downside risk to our earnings forecasts. **Fourthly**, we also expect a major profit turnaround in 2023F with EPS growth of 33%. We trim our DCF-based 12-month TP (2023F base year) to Bt56/share from Bt58/share after our earnings cuts.

Weak near-term outlook

We cut PTTGC's 2022-24F reported profits by 40/9/5% on softer-than-expected chemical margins amid weakness in China demand as well as the huge hedging loss booked in 1H22. We expect PTTGC's 2H core profit to be lower h-h compared to 1H22 due to 1) more maintenance activities, 2) weaker chemical margins, and 3) potentially weaker contribution from Allnex given its high exposure to Europe. PTTGC owns a 100% stake in Allnex, which has 40% of its operating assets based in Europe. We believe Allnex's EBITDA in 2H22F will still fall short of management's target of €100m per quarter, pressured by higher gas costs as well as the risk of lower demand.

Negatives already look at worst points

We think PTTGC will see a strong profit turnaround in 2023F given a very low base earnings this year. Growth should come from higher cheap domestic gas supply, less maintenance and no further huge hedging losses. We also expect 2023F profit to be driven by a chemical margin recovery. We forecast only a USD40/tonne spread recovery to USD460/tonne for HDPE-naphtha from the unsustainably low level this year given near or below cash cost for naphtha producers. Plants cutting run and a resumption of China demand should drive the recovery.

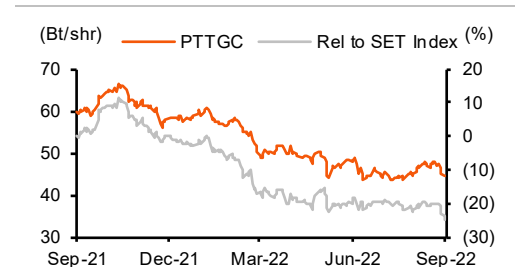
Market already has low expectations

We believe the market is already anticipating weaker 2H22F profit. The Bloomberg consensus estimate for PTTGC's 2022 profit is down by 26% YTD. PTTGC's share price is also the worst performer YTD with its price dropping by 19%. We believe PTTGC's share price has been hit by its extremely weak 2022F profit. While we believe downside is limited, we also see the company as a good proxy to play China's demand recovery.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	465,128	764,745	639,990	608,640
Net profit	47,644	16,042	21,865	27,648
Consensus NP	—	20,992	26,492	28,587
Diff frm cons (%)	—	(23.6)	(17.5)	(3.3)
Norm profit	28,295	30,380	23,717	28,512
Prev. Norm profit	—	22,808	24,032	29,088
Chg frm prev (%)	—	33.2	(1.3)	(2.0)
Norm EPS (Bt)	6.3	6.7	5.3	6.3
Norm EPS grw (%)	270.7	7.4	(21.9)	20.2
Norm PE (x)	7.1	6.6	8.5	7.0
EV/EBITDA (x)	7.4	7.3	7.3	5.9
P/BV (x)	0.6	0.6	0.6	0.6
Div yield (%)	8.4	5.6	4.9	6.2
ROE (%)	9.4	9.5	7.3	8.4
Net D/E (%)	58.0	54.3	46.5	36.5

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 6-Sep-22 (Bt)	44.50
Market Cap (US\$ m)	5,500.0
Listed Shares (m shares)	4,508.8
Free Float (%)	54.8
Avg Daily Turnover (US\$ m)	19.4
12M Price H/L (Bt)	66.75/43.50
Sector	PETRO
Major Shareholder	PTT Pcl 45.18%

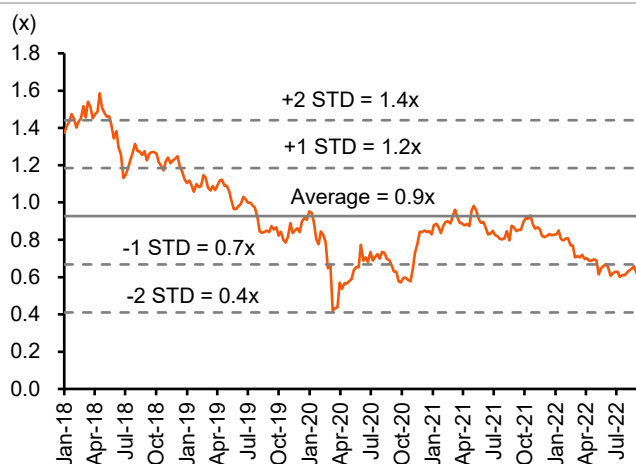
Sources: Bloomberg, Company data, Thanachart estimates

Maintain BUY; offering good value

We believe most of the bad news is priced in

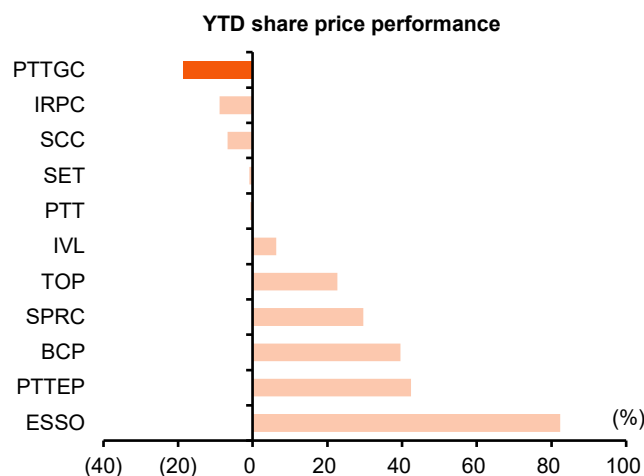
PTT Global Chemical Plc's (PTTGC) share price has been depressed by a lot of bad news, but we believe there is limited downside risk at current levels. We see the bearish factors being at or near their worst points, implying limited further downside to PTTGC's earnings. We believe the HDPE-naphtha spread bottom range from USD350-400/tonne is already at a trough supported by the break-even level of naphtha producers (please see Exhibit 10). Despite our substantial earnings cuts of 40/9/5% to our reported profits over 2022-24F, PTTGC is now trading at only 8.5x PE and at a historically low 0.6x P/BV. At the current level, PTTGC is trading below its long-term average P/BV of 0.8x while profit looks set to improve in 2023F.

Ex 1: P/BV



Sources: Bloomberg, Thanachart estimates

Ex 2: PTTGC Has Badly Underperformed Peers



Source: Bloomberg

We cut 2022-24F profits by 40/9/5% as we assume lower chemical spreads

We cut PTTGC's reported profit by 40% in 2022F as we factor in a larger-than-expected hedging loss in 2Q22, but raise our normalized profit by 33% due to a stronger-than-expected refinery margin. For 2023-24F, we cut our reported profits by 9/5%, respectively. Our lower chemical margin assumption is offset by the higher refinery margin. We also incorporate a potential inventory loss as a result of our expectation for oil prices to decline over the next two years. Consequently, we lower our DCF-based 12-month TP, using a 2023F base year, to Bt56/share from Bt58 previously and maintain our BUY rating

Ex 3: Earning Revisions

	2019	2020	2021	2022F	2023F	2024F
Reported profit (Bt m)						
- New	11,637	200	44,983	16,042	21,865	27,648
- Old				26,808	24,032	29,088
- Change (%)				(40.2)	(9.0)	(5.0)
Normalized profit (Bt m)						
- New	8,164	7,634	28,295	30,380	23,717	28,512
- Old				22,808	24,032	29,088
- Change (%)				33.2	(1.3)	(2.0)

Sources: Company data, Thanachart estimates

Note: Our normalized profit excluded inventory gain/(loss), hedging gain/(loss), and Fx gain/(loss).

Ex 4: Key Assumption Changes

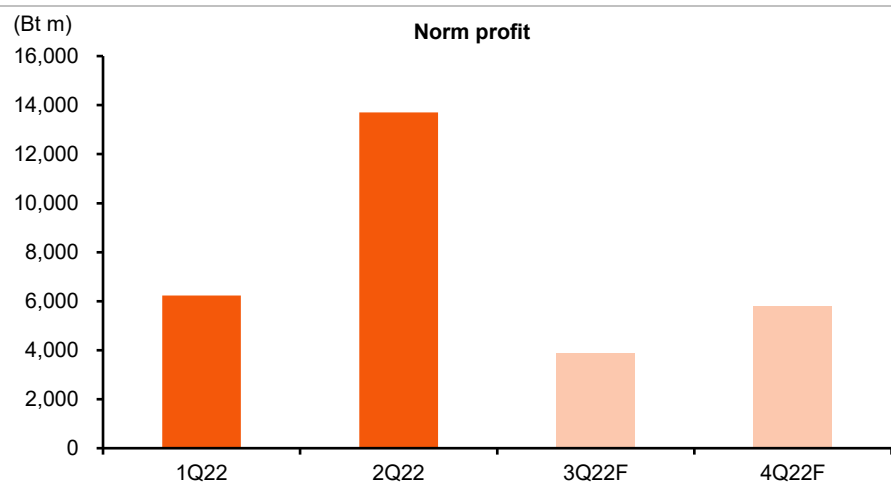
	2019	2020	2021	2022F	2023F	2024F
New (USD/tonne)						
HDPE-Naphtha	466	514	534	420	460	530
LLDPE-Naphtha	421	488	553	450	480	550
LDPE-Naphtha	471	635	869	700	730	800
PTTGC's GRM (USD/bbl)	3.86	2.24	3.80	13.1	7.5	6.3
Old (USD/tonne)						
HDPE-Naphtha				450	500	550
LLDPE-Naphtha				505	550	600
LDPE-Naphtha				750	800	830
PTTGC's GRM (USD/bbl)				6.7	6.1	5.7
Change (%)						
HDPE-Naphtha				(4)	(8)	(4)
LLDPE-Naphtha				(11)	(13)	(8)
LDPE-Naphtha				(7)	(9)	(4)
PTTGC's GRM (USD/bbl)				95	24	9

Sources: Bloomberg, Thanachart estimates

Weak near-term outlook

We forecast 2H normalized profit to drop by 52% h-h

We estimate PTTGC's normalized profit to drop by 52% h-h, driven by a collapse in chemical margins amid a big reduction in China demand as well as economic pressure from inflation. The HDPE-naphtha spread has fallen sharply by 19% YTD to USD390/t. Spreads for other key products have also declined q-q. Meanwhile, the company also has planned maintenance turnarounds for its olefin units for 16 days in September and 27 days in December, for its refinery for 50 days in October-December, and for its propylene oxide (PO) units for 50 days in December.

Ex 5: Quarterly Profit Trend

Sources: Company data, Thanachart estimates

Negative factors are already at trough

Profit turnaround around the corner

We believe PTTGC offers a turnaround story after the low base this year when it suffered several negative factors which we see already being at the trough of the cycle.

We expect a better feedstock mix ...

Firstly, we expect PTTGC's gas feedstock to improve as PTT Exploration & Production (PTTEP TB, Bt165.50, HOLD), ramps up the Erawan gas field's output. We estimate output to fall to an average of 250-300mmcf in 2022F from 867mmcf in 2021 before rising to 500mmcf in 2023F and to its full potential of 800mmcf in 2024F. We thus estimate PTTGC's naphtha & LPG mix to cyclically improve from 2022F's peak of 65% in 2022F to 60%/55% in 2023-24F.

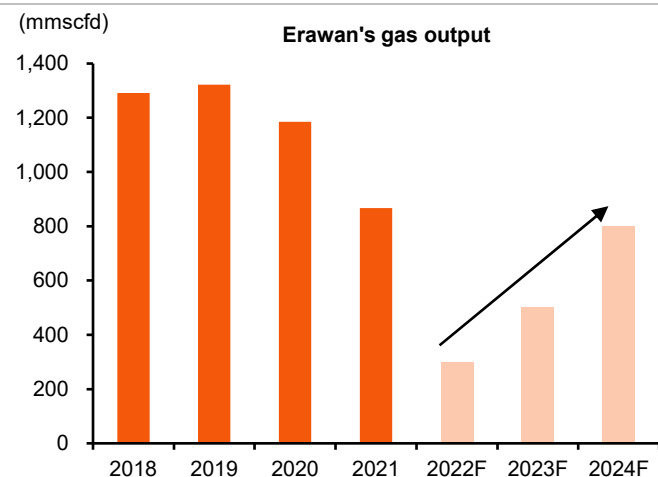
...and less maintenance activities in 2023F

Secondly, we expect a higher utilization rate in 2023F after heavy maintenance shutdowns. The company has several units in both its chemical and refinery businesses that have maintenance turnarounds scheduled for this year. We estimate its olefin utilization rate to drop to 97% this year before recovering to a normal rate of 105% in 2023F. For its refinery, we estimate its utilization rate to drop to 85% before rising to 97% in 2023F.

Huge hedging loss should not be repeated next year

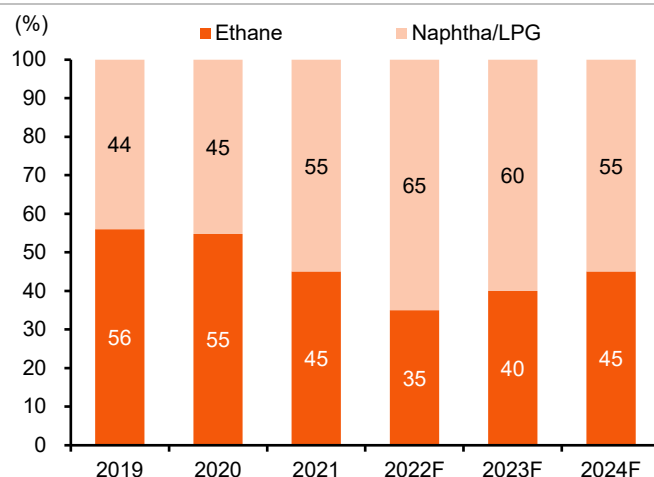
Thirdly, the absence of a hedging loss in 2023F looks set to be another growth driver. The company's profit was severely hit by its large hedging position, mainly for diesel at the end of last year before the diesel spread spiked. The company hedged around 50% of total product volume in 2022F at a diesel spread of around USD15/bbl while the spot diesel spread rallied to USD55/bbl at the end of 2022. Consequently, PTTGC booked a total hedging loss of Bt18bn in 1H22. We expect this loss to disappear in 2023F as the diesel spread should normalize from the high level in 2022F.

Ex 6: Domestic Gas Supply

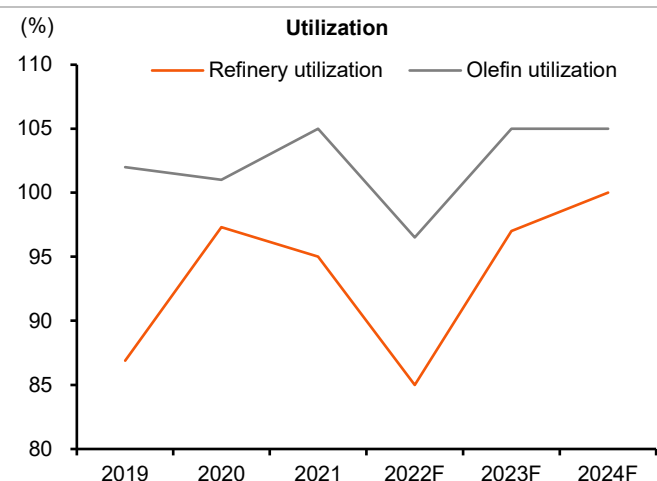


Sources: Energy Policy And Planning Office (EPPO), Thanachart estimates

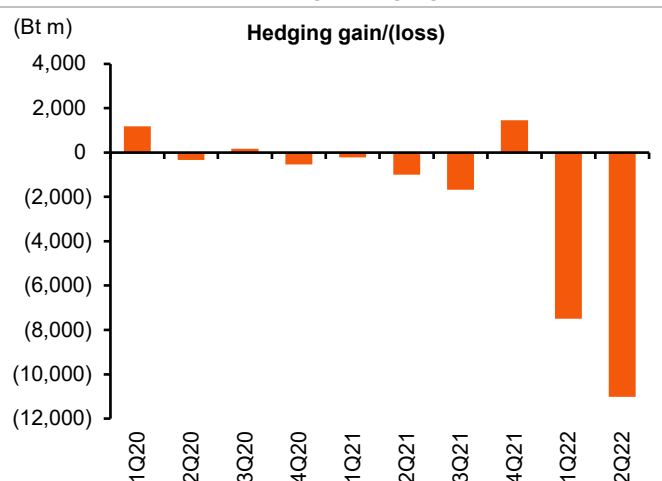
Ex 7: PTTGC's Feedstock Mix



Sources: Company data, Thanachart estimates

Ex 8: We Expect Utilization Rate To Improve In 2023F

Sources: Company data, Thanachart estimates

Ex 9: PTTGC Suffered A Huge Hedging Loss In 1H22

Source: Company data

Chemical market hit by a perfect storm in 2022F

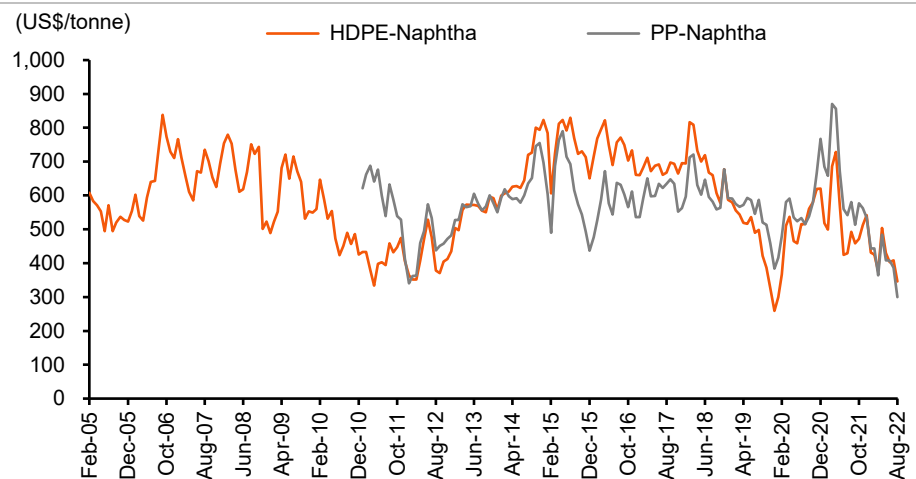
Finally, we believe the chemical cycle is already at around its trough with the chemical spread fluctuating at about the cash-cost level. The industry was hit by a perfect storm this year with an influx of a new supply, a jump in oil prices that pushed up naphtha costs and a collapse in demand following lockdowns in China.

China chemical plants' operating rate is the lowest since 1990

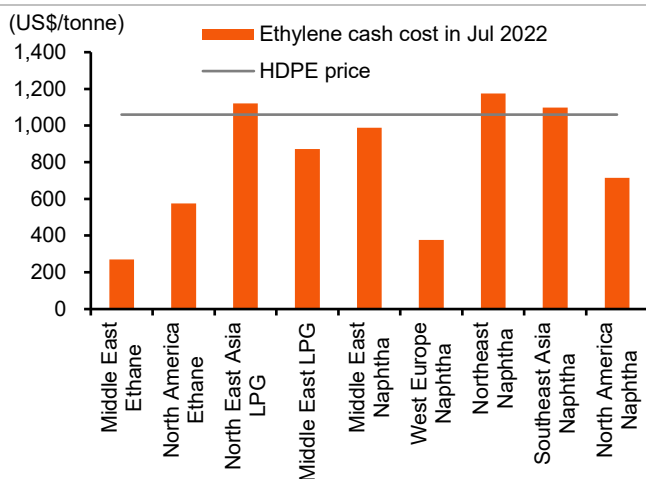
The HDPE spreads over naphtha costs are lower than during the downcycle in 2012 while the PP spreads over naphtha costs are at their lowest since 2011. In August 2022, the HDPE spread averaged just USD346/tonne compared with the previous record lows of USD259/tonne in January 2020 and USD352/tonne in February 2012. We think the key factor driving the weak spreads is soft China demand since the country accounts for around 30-40% of global polyolefin demand. The ICIS estimate for China's production in January-July indicates a full-year operating rate of only 79%. This would be the lowest annual operating rate since 1990.

Most naphtha crackers are running at loss or near cash cost

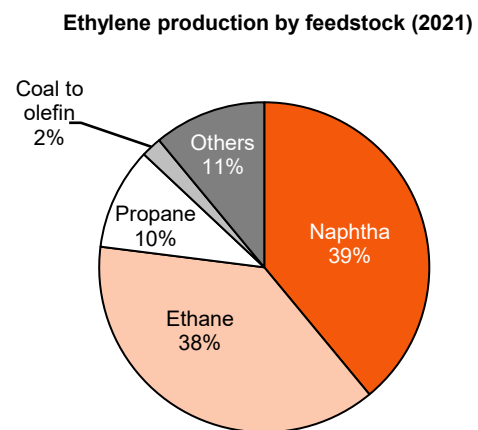
At current spread levels numerous plants are making losses. We expect spreads to rebound as plants cut run rates given that most naphtha plants (39% of global ethylene capacity in 2021) are running at near or below cash cost and given a potential uptick in China demand because of stimulus measures and an easing of lockdowns. We have also heard that some Northeast Asia producers are moving up their maintenance turnarounds from 1Q23 to 4Q22. We estimate the spread to recover moderately to USD460/530 per tonne in 2023/24F from USD420/tonne in 2022F. Our assumptions are still conservative as the HDPE-naphtha spread could be as high as USD700-800/tonne in a chemical up-cycle. Thus, there is potential upside to our forecasts from a stronger-than-expected global demand recovery.

Ex 10: Polyolefin Spreads Are Even Lower Than In The Downcycle In 2012

Source: Bloomberg

Ex 11: Naphtha Crackers Are Running Near Breakeven

Source: Company data

Ex 12: Naphtha Crackers Make Up 39% Of Global Capacity

Source: Company data

Ex 13: 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 & equity income	49,154	55,933	56,075	59,521	55,684	55,695	55,886	57,087	57,489	57,273	55,547	
Free cash flow	46,097	45,521	50,853	47,918	44,762	44,030	44,270	45,266	45,663	45,596	44,397	559,075
PV of free cash flow	38,681	34,977	35,789	30,245	25,769	23,113	21,196	19,767	18,187	15,814	13,986	176,114
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.4											
WACC (%)	9.2											
Terminal growth (%)	2.0											
Enterprise value - add investments	453,636											
Net debt (end-2022F)	190,025											
Minority interest	10,295											
Equity value	253,317											
# of shares (m)	4,509											
Equity value/share (Bt)	56											

Source: Thanachart estimates

Valuation Comparison**Ex 14: Comparison With Regional Peers**

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		– Div yield –	
			22F	23F	22F	23F	22F	23F	22F	23F	22F	23F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Sinopec Shanghai	338 HK	Hong Kong	(70.5)	186.1	16.9	5.9	0.4	0.4	9.2	6.5	6.1	7.8
Sinopec Yizheng	1033 HK	Hong Kong	(66.7)	100.0	53.0	26.5	1.2	1.0	9.0	8.4	0.0	0.0
AKR Corporindo	AKRA IJ	Indonesia	41.7	18.1	16.1	13.6	2.4	2.1	10.7	9.2	2.8	3.4
Reliance Industries Ltd	RIL IN	India	31.2	29.9	28.5	22.0	2.2	2.0	18.0	14.1	0.3	0.4
LG Chem	051910 KS	South Korea	(33.2)	24.9	18.1	14.4	1.5	1.4	7.2	6.0	1.6	1.9
SK Energy	096770 KS	South Korea	na	(34.6)	5.3	8.1	0.8	0.7	4.1	5.4	1.7	2.0
Petronas Chemicals Group	PCHEM MK	Malaysia	15.5	(11.3)	9.5	10.7	1.9	1.7	6.0	6.4	5.8	5.1
Formosa Chemical	1326 TT	Taiwan	(29.5)	2.3	13.9	13.6	1.1	1.1	12.7	12.8	5.3	5.0
Far Eastern New Century	1402 TT	Taiwan	4.6	14.6	13.9	12.2	0.8	0.8	10.7	10.2	5.6	6.5
IRPC Pcl *	IRPC TB *	Thailand	(70.7)	489.1	59.2	10.1	0.7	0.7	12.6	7.3	4.6	5.0
Indorama Ventures *	IVL TB *	Thailand	93.1	(26.6)	5.9	8.0	1.2	1.1	6.2	7.2	4.8	3.6
PTT Global Chemical *	PTTGC TB *	Thailand	7.4	(21.9)	6.6	8.5	0.6	0.6	7.3	7.3	5.6	4.9
Siam Cement *	SCC TB *	Thailand	(24.2)	35.0	12.0	8.9	1.1	1.0	11.8	8.3	4.2	5.6
TPI Polene	TPIPL TB	Thailand	(22.2)	(8.1)	8.4	9.1	na	na	9.2	9.6	na	na
Average			(9.5)	57.0	19.1	12.3	1.2	1.1	9.6	8.5	3.7	3.9

Sources: Bloomberg, * Thanachart estimates

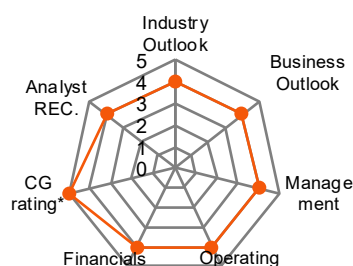
Based on 6 September 2022 closing prices

COMPANY DESCRIPTION

PTT Global Chemical (PTTGC) became a fully integrated petrochemical and refining company after the amalgamation of PTTCH (PTT Chemicals) and PTTAR (PTT Aromatics & Refining) in late 2011. The company produces olefins and derivatives, and its key products are ethylene, propylene, HDPE, LDPE, LLDPE and MEG. Together, the olefin value chain made up about half of 2022 EBITDA. PTTGC is one of the few gas-based crackers in Asia and it has a competitive cost structure compared with other naphtha-based crackers. The company also has fully integrated refinery and aromatics plants which produce mainly paraxylene and benzene. The company also recently moved into the specialty coating business with its investment in Allnex Holdings GmbH (Allnex).

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

- It is a low-cost producer that is leveraging on its gas-based and flexible cracker.
- Large economies of scale due to synergies from its fully integrated facilities.
- Being a PTT group company helps ensure feedstock and raises its franchise value.

O — Opportunity

- Significant growth potential in terms of chemical demand in the region.
- Value enhancement from synergies, debottlenecking of its units, and further downstream integration.
- M&A activity that could lead to higher return to investors.

W — Weakness

- Cyclical business with volatile earnings and cash flow.
- Potential impact of stock losses (due mainly to oil price movements) on earnings.
- Reliance on bulk chemicals and limited exposure to specialty chemicals.

T — Threat

- Depleting low-cost domestic gas supply would reduce its competitive edge of being a low-cost producer.
- Low oil prices erode its competitive advantage.
- Increasing competition from lower-cost producers in the Middle East and US-based crackers.
- Overpaying for acquisitions and limited synergies.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	55.68	56.00	1%
Net profit 22F (Bt m)	20,992	16,042	-24%
Net profit 23F (Bt m)	26,492	21,865	-17%
Consensus REC	BUY: 12	HOLD: 11	SELL: 3

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023F net profit is lower than the consensus likely given incorporation of stock loss.
- However, our DCF-based target price is in-line with Bloomberg consensus.

Sources: Bloomberg consensus, Thanachart estimates

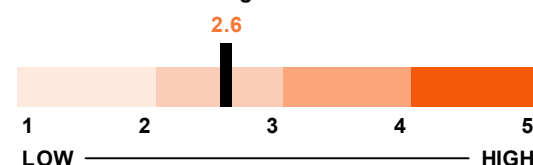
RISKS TO OUR INVESTMENT CASE

- Lower-than-expected oil prices and/or chemical spreads would be the key downside risk to our call.
- Hiccups in the gas supply from its parent company PTT or any unplanned outages at the complex would be another downside risk.

Source: Thanachart

PTTGC is a large-scale olefins cracker with 35-45% of olefins intake running on ethane gas and 55-65% on naphtha/LPG. It also has 145kbd of oil refinery capacity. Our ESG score for PTTGC is 2.6, at the low end among our coverage. The firm has clear intentions and targets to cut carbon emissions, but its score is dragged down by its high energy intensity and an information disclosure level that could be improved.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
PTTGC	YES	YES	YES	BBB	58.53	77.56	91.62	49.0	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms of use" toward the back of this report.

Factors

Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- PTTGC released 8.2mt of CO2 equivalent in 2021, up 18% from its 2018 level. Its carbon emission intensity also increased by 15% to 370kg/BOE (barrels of oil equivalent) of CO2. We believe the increases were due to falling gas and higher naphtha feedstock use in its petrochemical production. However, PTTGC emitted less carbon than the average of 476kg/BOE of CO2 for the Thai petrochemical industry, which mainly uses naphtha.
- PTTGC aims for its greenhouse gas (GHG) emissions to peak in 2025. It has a target to cut GHG emissions by 20% from the 2020 level within 2030F. However, we believe this is still pending the final investment decision on the US shale gas cracker project, which is under feasibility studies. PTTGC has an interest in recycling projects.
- The company also has an interest in carbon capture and storage (CCS) investment which we expect to be a collaboration among the PTT group given the high investment costs.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- PTTGC encourages a culture of safety with a total recordable injury rate (TRIR) of employees and contractors of only 0.41 and 1.04 cases per 1m man hours, respectively.
- PTTGC's staff turnover rate was low at 3.8% in 2021. It invested Bt135m in 2021 on staff training that led to 31.76 training hours/person/year. It also focus on the well-being of employees such as implementation of its Work From Home (WFH) policy as a normal working fashion, providing insurance for employees and families, and offering an Employee Assistance Program (EAP) to boost the quality of life and help counsel employees with personal issues.
- PTTGC in 2021 received a high satisfaction rate of over 90% from customers, suppliers and employees as well as communities. The company launched several projects to help society during the COVID-19 period.

GOVERNANCE &
SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- PTTGC has a 15-member board of directors (BOD) with nine being independent directors with a 2.5-year average tenure. Mr. Piyasvasti Amranand, a former energy minister, is the BOD chairman.
- There are many related-party transactions with its parent company, PTT. Gas (ethane and propane) feedstock is supplied by PTT. Pricing is on a net-back or equal-IRR basis with PTT's gas separation plant business.
- We see room for improvement in more timely information disclosure, such as the performance of its US\$4.75bn Allnex acquisition and about past supply outages.
- We see two areas of balance sheet risk. The first is a potential asset impairment from the high investment cost of Allnex. Another risk is a potential debt increase if PTTGC decides to invest in a US ethane cracker with would require substantial investment.

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	329,291	465,128	764,745	639,990	608,640
Cost of sales	308,527	416,647	713,467	562,869	528,031
Gross profit	20,764	48,481	51,278	77,121	80,609
% gross margin	6.3%	10.4%	6.7%	12.1%	13.2%
Selling & administration expenses	14,881	18,878	24,353	53,804	51,168
Operating profit	5,883	29,603	26,925	23,318	29,441
% operating margin	1.8%	6.4%	3.5%	3.6%	4.8%
Depreciation & amortization	20,292	23,092	25,001	25,836	26,492
EBITDA	26,174	52,695	51,926	49,154	55,933
% EBITDA margin	7.9%	11.3%	6.8%	7.7%	9.2%
Non-operating income	2,283	4,931	5,522	5,522	5,522
Non-operating expenses	0	0	0	0	0
Interest expense	(3,511)	(5,434)	(7,014)	(6,103)	(5,556)
Pre-tax profit	4,654	29,100	25,433	22,737	29,407
Income tax	(109)	7,229	1,103	5,221	7,136
After-tax profit	4,763	21,871	24,330	17,516	22,271
% net margin	1.4%	4.7%	3.2%	2.7%	3.7%
Shares in affiliates' Earnings	3,323	6,992	6,983	6,983	6,983
Minority interests	(452)	(568)	(933)	(781)	(743)
Extraordinary items	(7,434)	19,349	(14,338)	(1,852)	(864)
NET PROFIT	200	47,644	16,042	21,865	27,648
Normalized profit	7,634	28,295	30,380	23,717	28,512
EPS (Bt)	0.0	10.6	3.6	4.8	6.1
Normalized EPS (Bt)	1.7	6.3	6.7	5.3	6.3

We expect 2022F profit to be trough.

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	129,911	207,244	292,112	250,154	245,113
Cash & cash equivalent	60,658	74,994	70,000	70,000	75,000
Account receivables	29,277	50,540	83,097	69,541	66,134
Inventories	33,445	69,725	119,396	94,194	88,364
Others	6,531	11,985	19,619	16,419	15,614
Investments & loans	65,675	74,706	74,706	74,706	74,706
Net fixed assets	269,177	289,579	284,676	275,537	261,223
Other assets	24,620	182,585	182,585	182,585	182,585
Total assets	489,383	754,115	834,079	782,983	763,627
LIABILITIES:					
Current liabilities:	59,041	147,007	209,205	238,441	147,769
Account payables	20,114	69,951	119,784	94,500	88,651
Bank overdraft & ST loans	19	2,423	0	0	0
Current LT debt	22,017	37,835	40,000	100,000	20,000
Others current liabilities	16,892	36,797	49,421	43,941	39,118
Total LT debt	126,261	224,760	209,370	129,287	186,455
Others LT liabilities	15,086	54,746	85,016	72,676	69,575
Total liabilities	200,389	426,512	503,591	440,404	403,798
Minority interest	7,979	9,361	10,295	11,076	11,819
Preferreds shares	0	0	0	0	0
Paid-up capital	45,088	45,088	45,088	45,088	45,088
Share premium	36,937	36,937	36,937	36,937	36,937
Warrants	0	0	0	0	0
Surplus	(3,618)	5,235	5,235	5,235	5,235
Retained earnings	202,608	230,982	232,933	244,243	260,750
Shareholders' equity	281,015	318,242	320,194	331,503	348,010
Liabilities & equity	489,383	754,115	834,079	782,983	763,627

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	4,654	29,100	25,433	22,737	29,407
Tax paid	203	(5,976)	(1,111)	(5,060)	(7,406)
Depreciation & amortization	20,292	23,092	25,001	25,836	26,492
Chg In working capital	2,322	(7,707)	(32,395)	13,474	3,388
Chg In other CA & CL / minorities	4,056	21,870	11,929	4,542	3,234
Cash flow from operations	31,527	60,380	28,857	61,529	55,115
Capex	(24,905)	(43,495)	(20,097)	(16,698)	(12,177)
Right of use	(7,039)	(3,373)	0	0	0
ST loans & investments	2,144	485	53	0	0
LT loans & investments	226	(9,032)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(3,192)	(92,170)	19,715	(14,192)	(3,965)
Cash flow from investments	(32,766)	(147,585)	(329)	(30,890)	(16,142)
Debt financing	41,352	111,958	(19,431)	(20,083)	(22,833)
Capital increase	0	0	0	0	0
Dividends paid	(5,024)	(14,080)	(14,090)	(10,556)	(11,140)
Warrants & other surplus	9	3,662	0	0	0
Cash flow from financing	36,338	101,541	(33,521)	(30,639)	(33,973)
Free cash flow	6,622	16,885	8,760	44,831	42,938

With a lack of capacity expansion, we expect positive FCF over the next three years

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	26.3	7.1	6.6	8.5	7.0
Normalized PE - at target price (x)	33.1	8.9	8.3	10.6	8.9
PE (x)	1,005.2	4.2	12.5	9.2	7.3
PE - at target price (x)	1,265.0	5.3	15.7	11.5	9.1
EV/EBITDA (x)	11.0	7.4	7.3	7.3	5.9
EV/EBITDA - at target price (x)	13.0	8.4	8.3	8.4	6.9
P/BV (x)	0.7	0.6	0.6	0.6	0.6
P/BV - at target price (x)	0.9	0.8	0.8	0.8	0.7
P/CFO (x)	6.4	3.3	7.0	3.3	3.6
Price/sales (x)	0.6	0.4	0.3	0.3	0.3
Dividend yield (%)	2.2	8.4	5.6	4.9	6.2
FCF Yield (%)	3.3	8.4	4.4	22.3	21.4
(Bt)					
Normalized EPS	1.7	6.3	6.7	5.3	6.3
EPS	0.0	10.6	3.6	4.8	6.1
DPS	1.0	3.8	2.5	2.2	2.8
BV/share	62.3	70.6	71.0	73.5	77.2
CFO/share	7.0	13.4	6.4	13.6	12.2
FCF/share	1.5	3.7	1.9	9.9	9.5

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(20.2)	41.3	64.4	(16.3)	(4.9)
Net profit (%)	(98.3)	23,769.6	(66.3)	36.3	26.4
EPS (%)	(98.3)	23,769.6	(66.3)	36.3	26.4
Normalized profit (%)	(6.5)	270.7	7.4	(21.9)	20.2
Normalized EPS (%)	(6.5)	270.7	7.4	(21.9)	20.2
Dividend payout ratio (%)	2,258.9	35.5	70.3	45.0	45.0
Operating performance					
Gross margin (%)	6.3	10.4	6.7	12.1	13.2
Operating margin (%)	1.8	6.4	3.5	3.6	4.8
EBITDA margin (%)	7.9	11.3	6.8	7.7	9.2
Net margin (%)	1.4	4.7	3.2	2.7	3.7
D/E (incl. minor) (x)	0.5	0.8	0.8	0.7	0.6
Net D/E (incl. minor) (x)	0.3	0.6	0.5	0.5	0.4
Interest coverage - EBIT (x)	1.7	5.4	3.8	3.8	5.3
Interest coverage - EBITDA (x)	7.5	9.7	7.4	8.1	10.1
ROA - using norm profit (%)	1.6	4.6	3.8	2.9	3.7
ROE - using norm profit (%)	2.7	9.4	9.5	7.3	8.4
DuPont					
ROE - using after tax profit (%)	1.7	7.3	7.6	5.4	6.6
- asset turnover (x)	0.7	0.7	1.0	0.8	0.8
- operating margin (%)	2.5	7.4	4.2	4.5	5.7
- leverage (x)	1.7	2.1	2.5	2.5	2.3
- interest burden (%)	57.0	84.3	78.4	78.8	84.1
- tax burden (%)	102.3	75.2	95.7	77.0	75.7
WACC (%)	9.2	9.2	9.2	9.2	9.2
ROIC (%)	1.6	6.0	5.1	3.6	4.5
NOPAT (Bt m)	6,021	22,249	25,757	17,963	22,297
invested capital (Bt m)	368,653	508,266	499,564	490,790	479,465

Sources: Company data, Thanachart estimates

Net D/E remains relatively low

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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