BUY (Unchanged)

Change in Numbers

TP: Bt 39.00 (From: Bt 37.00)

Upside: 28.9%

6 OCTOBER 2022

Small Cap Research

COM7 Pcl. (COM7 TB)

Picking up the pieces

Having been hit by the industry slowdown and inventory write-offs in 2Q22, COM7 is picking up the pieces with sales momentum and margin recovering. Given its 28% YTD share price drop and our earnings hikes of 11/5/5%, we reaffirm BUY with a higher TP of Bt39.

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Thanachart Securities

Positive developments

COM7 was hit by contracting industry demand that also led to inventory clearance discounts and write-offs in 2Q22, when its earnings grew by only 5% y-y. We now expect COM7's business momentum to improve in 2H22F with 15% y-y EPS growth from the very high base in 2H21, when earnings growth was 52% y-y. Two positive developments in 2H22F are the industry demand contraction decelerating to 7% y-y from 20% y-y in 2Q22 and COM7's EBIT margin improving to 6.2% vs. 5.2% in 2Q22 given no further clearance discounts. Note that COM7's revenue growth has remained in positive territory vs. the industry's contraction because of its market share gains from expansion (Exhibit 2-3) and scale benefits.

Margin back on track

COM7's EBIT margin has trended upward from 3.9% in 2018 to 6.0% in 2021 and 6.5% in 1Q22. However, it fell to 5.2% in 2Q22 because of the clearance price discounts mentioned above, which were mainly in the crypto mining and gaming computer categories. We estimate COM7's EBIT margin to recover to 6.2% in 2H22F and with the longer-term sales growth and operating leverage effect, we project its margin to rise to 7.0% in 2024F.

iPhone 14 cushions the industry

Demand for the iPhone 14 has been very strong. We believe this will help improve the industry's demand growth momentum from an estimated 20% y-y fall in 2Q22 to only a 7% y-y decline in 2H22F. Despite slowing global economic momentum, the Thai economy seems to be in recovery mode from the tourism turnaround which just started with the country's full reopening in June. Note that mobile and IT product industry demand growth jumped from organic growth of 3-4% p.a. pre-COVID to 20% in 2021. We expect a setback with a 6% fall this year before growth returning to the normal level of 3-4% p.a. in 2023-24F.

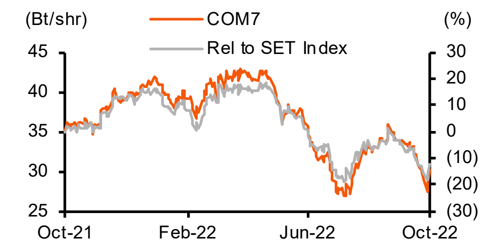
Boosting our earnings; BUY

Due to the aforementioned positive developments, we raise our earnings estimates by 10/5/5% in 2022-24F, which leads to earnings growth of 18/19/23% in those years. COM7's share price has fallen by 28% YTD in the wake of its disappointing 2Q22 earnings and inventory write-offs. Now that these concerns have eased and its business is getting back on track again, we see this as a BUYing opportunity. The stock price has also already come down to trade at 20x 2023F PE which we regard as inexpensive compared to its five-year average of 23x and its ROE of 45% in 2023F. We lift our DCF-based 12-month TP, using a 2023F base year to Bt39/share from Bt37 previously.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	51,126	61,937	69,259	77,435
Net profit	2,630	3,085	3,662	4,516
Consensus NP	—	2,912	3,429	3,994
Diff frm cons (%)	—	*5.9*	*6.8*	*13.1*
Norm profit	2,608	3,085	3,662	4,516
Prev. Norm profit	—	2,776	3,471	4,272
Chg frm prev (%)	—	*11.1*	*5.5*	*5.7*
Norm EPS (Bt)	1.1	1.3	1.5	1.9
Norm EPS grw (%)	80.0	18.3	18.7	23.3
Norm PE (x)	27.8	23.5	19.8	16.1
EV/EBITDA (x)	19.4	16.4	13.9	11.4
P/BV (x)	13.7	9.9	8.2	7.4
Div yield (%)	1.7	1.9	4.1	5.4
ROE (%)	57.1	48.8	45.2	48.3
Net D/E (%)	49.6	6.7	(3.4)	(5.9)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 6-Oct-22 (Bt)	30.25
Market Cap (US$ m)	1,945.3
Listed Shares (m shares)	2,400.0
Free Float (%)	50.0
Avg Daily Turnover (US$ m)	15.3
12M Price H/L (Bt)	43.00/27.00
Sector	Commerce
Major Shareholder	Khun Sura Kanittavikul 25.05%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report ……………...…………..…. P9

Positive developments

We reaffirm our BUY call on COM7 and raise our TP

We reaffirm our BUY rating on shares of COM7 Pcl (COM7) and raise our DCF-based 12-month TP, using a 2023F base year, to Bt39/share from Bt37 previously.

We see positive developments from:

COM7's business went off track and grew by only 5% y-y in 2Q22 because of a contraction in demand for its IT products that led to heavy promotional offers and inventory write-offs. Now we see positive developments emerging and expect COM7's 2H22F earnings to grow by 15% y-y. Looking forward, we estimate COM7's earnings to return to a strong growth of 19/23% in 2023-24F.

We discuss COM7's positive developments below:

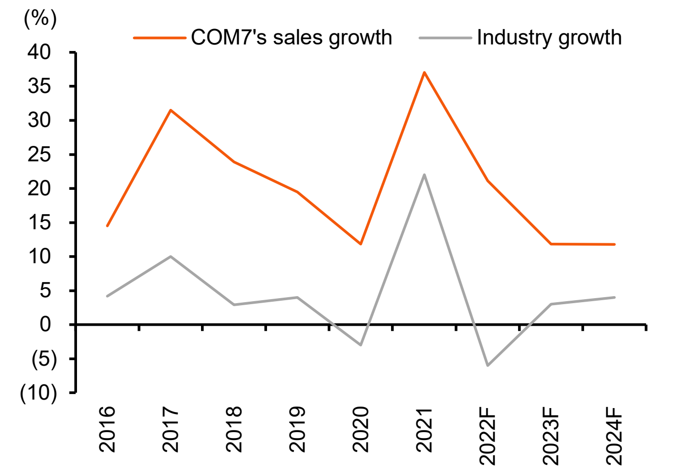
1) A slowdown in the drop in demand for products

First, demand for IT products fell to a lesser extent of 7% y-y in 2H22F after a 20% y-y drop in 2Q22, based on our estimate. 2Q22 demand saw a sharp drop as Thai people shifted their spending quickly toward the country-reopening sectors such as tourism and restaurants after two full years of strong pent-up demand. Now, there is some normalization taking place while the Thai economy is in a strong recovery mode from the country reopening, therefore the fall in IT products demand is decelerating.

2) COM7's new store openings

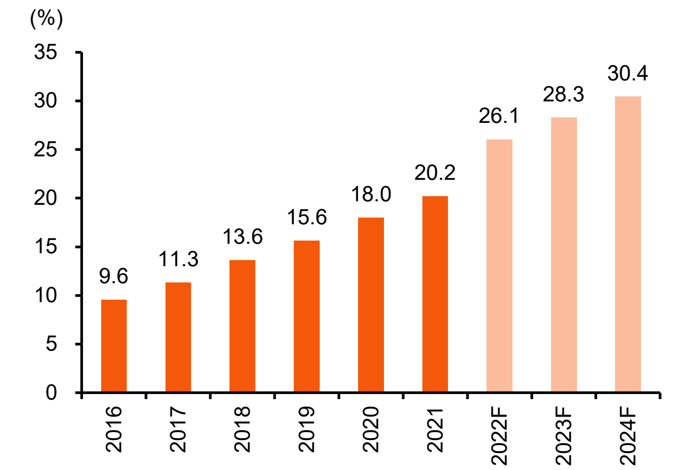
Second, COM7 has continued to gain market share. Exhibit 1 shows COM7's sales growth which has been far higher than the industry's. Its market share gains have been via both same-store sales and new store openings. Note that COM7 normally gains market share when the industry is weak because smaller players are unable to expand. This year, COM7 as the largest IT retail player, plans to open at least 150 new stores (+15%) from 1,000 stores in 2021. Most of the new stores are scheduled to open in 2H22. We estimate 150-170 new stores p.a. in 2023-24F.

Ex 1: COM7 Sales Growth Vs. Industry's



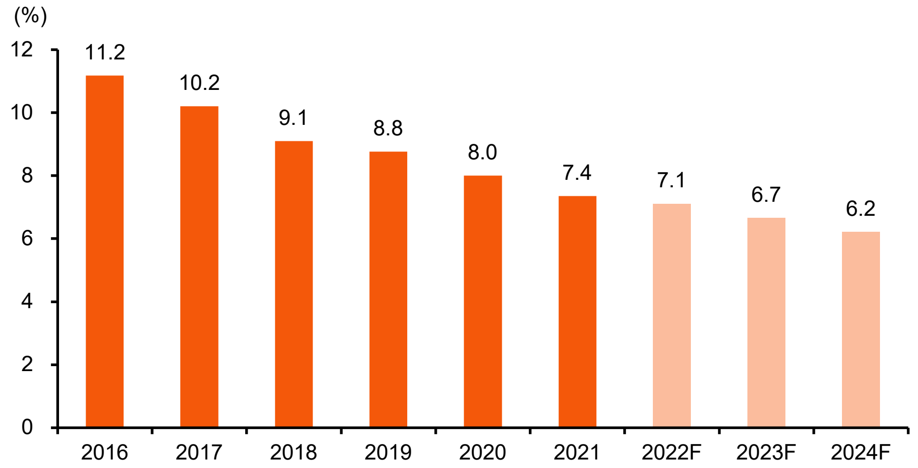
Sources: Company data, Thanachart estimates

Ex 2: COM7's Market Share Over The Years



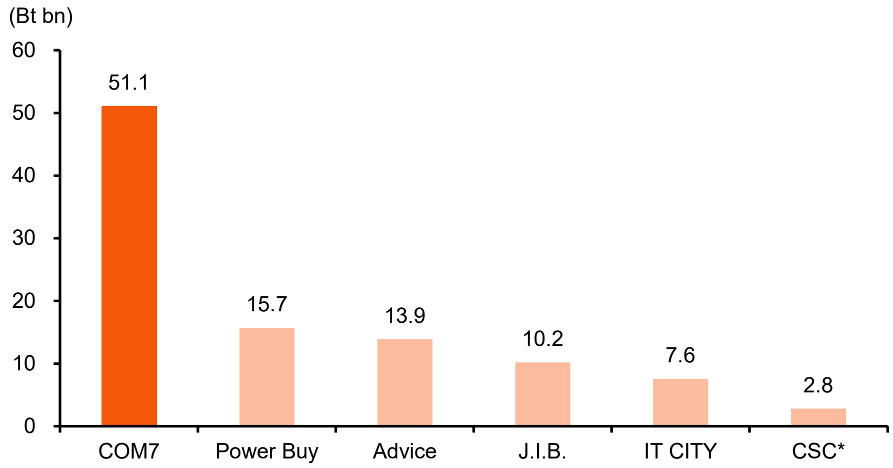
Sources: Company data, Thanachart estimates

Ex 3: SG&A Fall When Sales Rise



Sources: Company data, Thanachart estimates

Ex 4: COM7's Sales Vs. Peers'



Sources: Company data, BOL

Note: * Data as of 2020

Ex 5: COM7's Net Margin Vs. Peers'

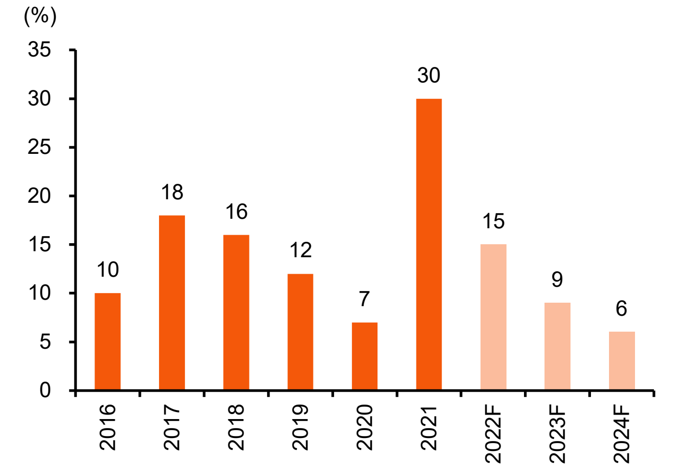
(%)	2015	2016	2017	2018	2019	2020	2021
COM7	**1.8**	**2.4**	**2.7**	**3.2**	**3.5**	**3.7**	**4.9**
Average main peers' net margin	**0.3**	**1.0**	**1.7**	**0.6**	**0.8**	**0.4**	**1.7**
– Advice	0.6	1.0	0.9	1.1	1.2	2.1	3.1
– CSC	0.1	na	1.3	2.2	0.7	na	na
– IT CITY	na	0.5	0.3	1.1	0.6	na	2.4
– Jaymart	-	-	-	3.8	na	1.3	-
– J.I.B.	0.3	0.2	0.3	0.4	0.7	0.8	2.5
– Power Buy	2.3	0.6	2.3	1.3	1.8	2.3	na

Sources: Company data, BOL

Note: na implies loss making

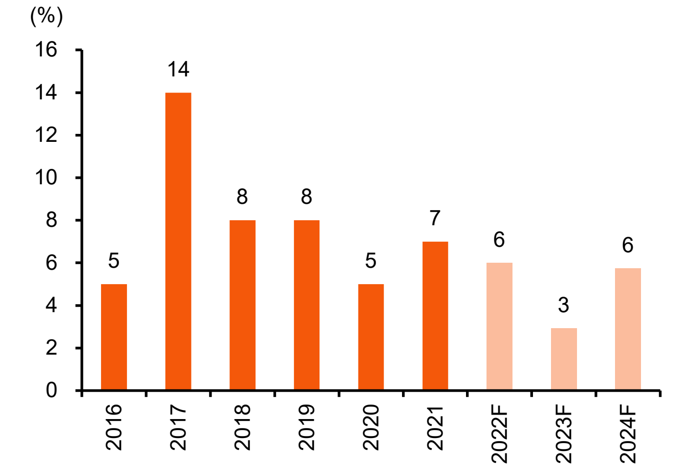
Note that despite COM7 already being the largest IT store chain in Thailand, it has accelerated store openings over the past few years. Most of COM7's stores are located in malls but the company launched its standalone format last year and it has proven to be successful with the format making profits within the first month of opening. The standalone outlets generate lower profit per store than stores in malls but COM7 expects this to change over the next few years. Rental expense per sq m is around 50% lower than in malls.

Ex 6: COM7's Same-Store-Sales Growth



Sources: Company data, Thanachart estimates

Ex 7: COM7's New Store Openings

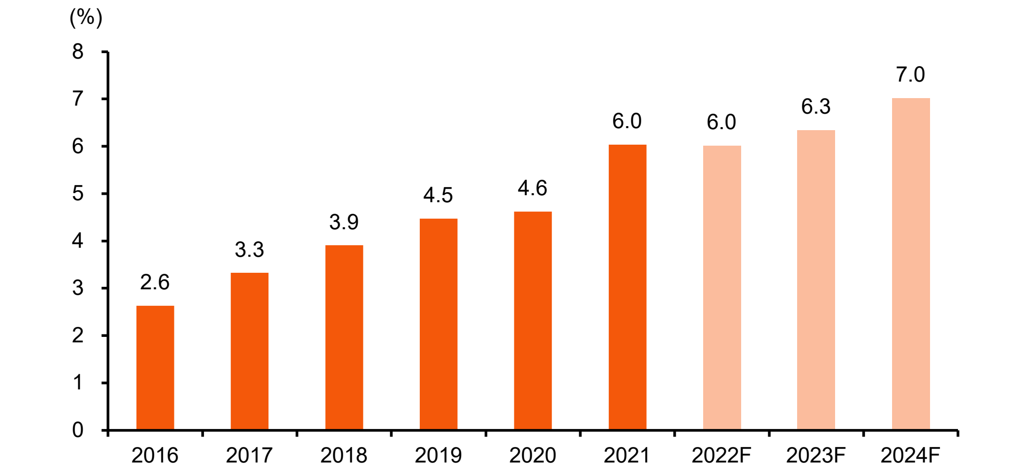


Sources: Company data, Thanachart estimates

3) Margin looks likely to get back on track

Third, COM7's EBIT margin looks likely to widen again from 3Q22F after having fallen in 2Q22 on the back of discounted prices for inventory clearances while COM7 also wrote off some weak-demand products, e.g., crypto mining and gaming computers. Now, with the hiccups having mostly been resolved, we estimate an EBIT margin of 6.2% in 2H22F, up from 5.2% in 2Q22. With decent long-term sales growth and the operating leverage effect, we project its EBIT margin to fatten to 7.0% in 2024F.

Ex 8: EBIT Margin Trend



Sources: Company data, Thanachart estimates

Attractive valuation, in our view

We raise our earnings estimates

Now that the concerns over COM7's disappointing 2Q22 earnings and inventory write-offs have eased and the company's performance looks to be getting back on track, we raise our earnings estimates by 10/5/5% in 2022-24F.

Ex 9: Our Key Assumptions

	2019	2020	2021	2022F	2023F	2024F
# of stores	787	911	1,000	1,150	1,310	1,490
Sales growth from incremental stores (%)	8	5	7	6	3	6
Same-store-sales growth (%)	12	7	30	15	9	6
Total sales growth	20	12	37	21	12	12
Gross margin (%)	12.6	12.9	13.3	13.5	13.8	14.0
Sg&a to sales(%)	8.8	8.0	7.4	7.1	6.7	6.2
EBIT Margin (%)	4.6	6.0	6.0	6.0	6.3	7.0

Sources: Company data, Thanachart estimates

Ex 10: Earnings Revisions

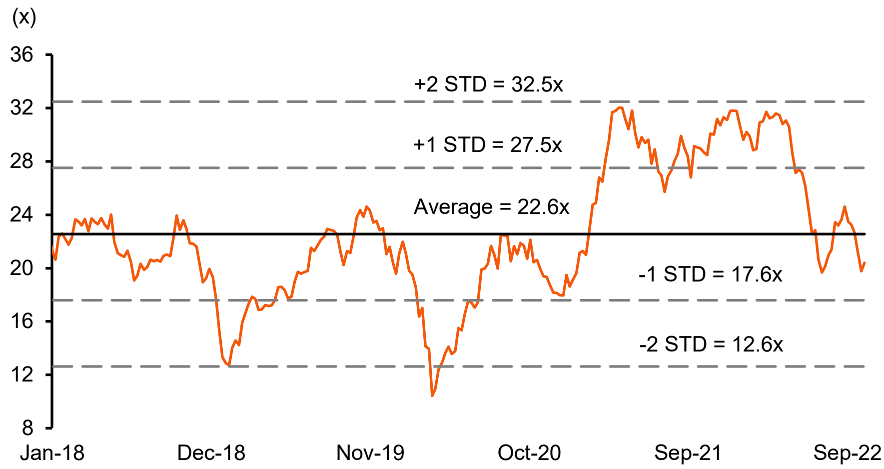
	2019	2020	2021	2022F	2023F	2024F
Sales (Bt m)						
New	33,362	37,306	51,126	61,937	69,259	77,435
Old				57,663	64,472	72,073
Change (%)				*7.4*	*7.4*	*7.4*
Gross margin (%)						
New	13.2	12.6	13.4	13.1	13.0	13.2
Old				12.8	13.0	13.2
Change (pp)				*0.3*	*(0.0)*	*(0.0)*
SG&A/sales (%)						
New	8.8	8.0	7.4	7.1	6.7	6.2
Old				7.0	6.6	6.1
Change (pp)				*0.1*	*0.1*	*0.1*
Normalized profit (Bt m)						
New	1,217	1,449	2,608	3,085	3,662	4,516
Old				2,776	3,471	4,272
Change (%)				*11.1*	*5.5*	*5.7*

Sources: Company data, Thanachart estimates

COM7's valuation looks attractive to us

COM7's share price has fallen by 28% YTD to trade at 20x PE in 2023F. We see this is as attractive against its strong earnings growth outlook of 18/18/23% in 2022-24F and its high profitability profile of a 45% ROE in 2023F.

Ex 11: COM7's PE



Sources: Bloomberg, Thanachart estimates

Ex 12: 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	4,708	5,809	6,844	7,755	8,738	9,438	10,182	10,973	11,814	12,708	13,783	—
Free cash flow	3,067	3,861	4,754	5,606	6,392	7,084	7,668	8,288	8,947	9,648	10,493	140,830
PV of free cash flow	3,059	3,260	3,650	3,940	4,113	4,174	4,136	4,093	4,046	3,994	3,826	51,354
Risk-free rate (%)	3.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	9.6											
Terminal growth (%)	2.0											
Enterprise value - add investments	93,646											
Net debt (2022F)	497											
Minority interest	14											
Equity value	93,135											
# of shares	2,400											
Target price/share (Bt)	**39**											

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 13: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div yield 22F (%)	Div yield 23F (%)
Marks & Spencer Group	MKS LN	UK	(24.3)	(1.6)	6.2	6.3	0.7	0.6	4.1	4.1	5.6	7.1
J Sainsbury	SBRY LN	UK	(17.8)	1.2	8.3	8.2	0.5	0.5	4.8	4.7	7.1	7.1
Tesco	TSCO LN	UK	(5.3)	2.9	9.8	9.5	1.0	1.0	6.0	5.9	5.2	5.4
Carrefour SA	CA FP	France	5.4	16.9	9.1	7.8	1.0	1.0	6.0	5.5	4.1	4.7
Casino Guichard	CO FP	France	17.6	117.5	13.9	6.4	0.4	0.3	6.9	6.0	0.7	7.5
Aeon	8267 JP	Japan	357.6	22.1	76.2	62.4	2.4	2.4	8.5	8.0	1.4	1.4
Lotte Shopping	023530 KS	S. Korea	na	54.4	16.7	10.8	0.3	0.2	9.5	9.3	3.2	3.4
Shinsegae	004170 KS	S. Korea	24.0	14.0	6.0	5.3	0.6	0.5	5.5	5.3	1.4	1.4
Amore Pacific Group	002790 KS	S. Korea	(42.6)	50.9	21.5	14.2	0.8	0.7	6.5	5.2	1.3	1.8
Wal-Mart Stores	WMT US	USA	(9.4)	12.9	22.7	20.1	4.4	4.1	11.8	10.9	1.7	1.7
Home Depot Inc	HD US	USA	7.7	4.2	17.3	16.6	na	na	12.5	12.3	2.6	2.8
Berli Jucker *	BJC TB	Thailand	49.1	6.9	25.0	23.4	1.1	1.1	13.1	12.6	3.0	3.2
COM7 *	COM7 TB	Thailand	18.3	18.7	23.5	19.8	9.9	8.2	16.4	13.9	1.9	4.1
CP All*	CPALL TB	Thailand	59.0	60.3	39.8	24.8	4.4	4.0	11.8	10.0	1.3	2.0
Central Pattana *	CPN TB	Thailand	152.2	30.4	34.4	26.3	3.7	3.3	19.9	16.4	1.4	1.7
Central Retail Corp. Pcl *	CRC TB	Thailand	na	45.2	41.7	28.7	4.0	3.6	10.5	9.3	1.0	1.4
Siam Global House *	GLOBAL TB	Thailand	11.7	14.1	24.8	21.7	4.2	3.7	19.6	17.2	1.6	1.8
Home Product*	HMPRO TB	Thailand	14.0	17.7	28.8	24.5	7.6	7.0	16.2	14.2	2.8	3.3
Siam Makro *	MAKRO TB	Thailand	(34.0)	46.8	43.1	29.4	1.2	1.2	14.4	12.4	1.7	2.6
MC Group *	MC TB	Thailand	9.0	27.5	16.3	12.8	2.2	2.1	6.1	5.3	6.0	7.8
Average			**32.9**	**28.2**	**24.3**	**19.0**	**2.7**	**2.4**	**10.5**	**9.4**	**2.8**	**3.6**

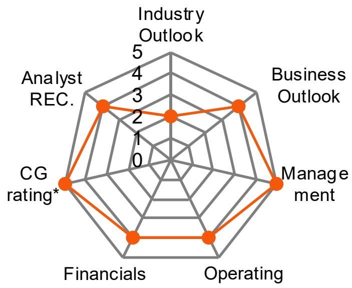
Sources: Company data, Thanachart estimates
Note: * Thanachart estimates using normalized EPS growth
** MC's fiscal year ends in June
Based on 6-Oct-2022 closing prices

COMPANY DESCRIPTION

Com7 Pcl (COM7) runs a chain of retail outlets that imports, retails, and distributes computers and IT-related products in Thailand. The company offers products such as smartphones, tablets, notebooks, and computers. COM7 also offers computer components such as CPUs, hard drives, and networks and accessories.

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 distribution channels nationwide
- More products and brands
- Diversification into higher-margin businesses
- Leverage effect from better utilization of assets
- Apple's largest distributor in Thailand

W — Weakness

- Low-margin retail business
- Risk from obsolete inventory

O — Opportunity

- 4G to 5G migration
- Improving economy
- Increasing speed and bandwidth usage
- New developments in technology

T — Threat

- Fierce competition in handsets and IT-related products
- Fast-moving technological advances
- Rising competition from new entrants

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	39.13	39.00	0%
Net profit 22F (Bt m)	2,912	3,085	6%
Net profit 23F (Bt m)	3,429	3,662	7%
Consensus REC	**BUY: 11**	**HOLD: 1**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F earnings estimates and TP are higher than the Bloomberg consensus numbers, which we attribute to us having a more bullish view on demand for IT products.

Sources: Bloomberg consensus, Thanachart estimates

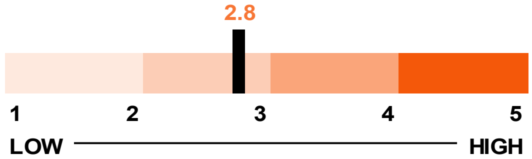
RISKS TO OUR INVESTMENT CASE

- More competition in the existing retail business would be the key downside risk to our call.
- A worse-than-expected economy and lower IT-related demand would represent secondary downside risks.

Source: Thanachart

COM7 is Thailand's largest retailer of consumer IT products. Given the nature of its business, COM7 doesn't generate much greenhouse gas or waste. However, our ESG score for COM7 is moderate at 2.8, reflecting low missions but still unclear targets for ESG reduction plans.

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)
COM7	YES	YES	-	-	47.53	31.19	13.30	-	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**	▪ COM7 is the largest retailer of IT products in Thailand. The nature of its business doesn't create much in the way of greenhouse gas (GSG) emissions or waste from its production process. COM7 has identified key environment areas it plans to improve but it still hasn't set out big-picture targets for overall environmental issues. ▪ The company has geared itself toward the use of solar power products to increase renewable electricity usage. COM7's office buildings also follow the Green Building design. ▪ COM7 has implemented campaigns for employees to conserve water and its water usage level has started to fall. ▪ COM7 is using more paper bags for its customers.
SOCIAL – **Human Rights** – **Staff Management** – **Health & Safety** – **Product Safety & Quality** – **Social Responsibility**	▪ COM7 has a well-balanced work force with around 50% being female and the rest being male. ▪ COM7 has well-defined employee training programs. The company's employee turnover ratio has also fallen over the years. ▪ COM7 ties to boost employees' morale by periodically giving rewards to those who have been identified as conducting good deeds. ▪ COM7 provides IT products such as computers and tablets for study for those in need, e.g., students in underdeveloped areas.
GOVERNANCE & SUSTAINABILITY – **Board** – **Ethics & Transparency** – **Business Sustainability** – **Risk Management** – **Innovation**	▪ COM7 has a seven-member board of directors (BOD) which we consider appropriate for the company's size and the scope of its business. Of the seven members, there are two independent directors. Also, there are only two women directors. ▪ Although it only offers IT products, COM7's products are highly diversified in terms of function, e.g., computers, tablets, smartphones, and other lifestyle gadgets. ▪ COM7 has been diversifying into the pharmaceutical, home appliance, motorcycle financing, and debt-management businesses. ▪ The company has yet to reveal a succession plan.

Source: Thanachart, Company

Strong sales growth despite the COVID crisis

Multi-year strong earnings growth, based on our estimates

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	37,306	51,126	61,937	69,259	77,435
Cost of sales	32,596	44,281	53,807	60,255	67,188
Gross profit	**4,710**	**6,846**	**8,131**	**9,004**	**10,246**
% gross margin	12.6%	13.4%	13.1%	13.0%	13.2%
Selling & administration expenses	2,986	3,761	4,406	4,613	4,811
Operating profit	**1,724**	**3,084**	**3,725**	**4,391**	**5,435**
% operating margin	4.6%	6.0%	6.0%	6.3%	7.0%
Depreciation & amortization	630	787	726	804	886
EBITDA	**2,354**	**3,872**	**4,451**	**5,195**	**6,321**
% EBITDA margin	6.3%	7.6%	7.2%	7.5%	8.2%
Non-operating income	47	28	34	38	43
Non-operating expenses	0	0	0	0	0
Interest expense	(53)	(48)	(90)	(52)	(54)
Pre-tax profit	**1,718**	**3,065**	**3,669**	**4,377**	**5,424**
Income tax	328	555	686	819	1,014
After-tax profit	**1,390**	**2,510**	**2,983**	**3,559**	**4,410**
% net margin	3.7%	4.9%	4.8%	5.1%	5.7%
Shares in affiliates' Earnings	64	96	100	102	104
Minority interests	(4)	2	2	2	2
Extraordinary items	41	22	0	0	0
NET PROFIT	**1,491**	**2,630**	**3,085**	**3,662**	**4,516**
Normalized profit	**1,449**	**2,608**	**3,085**	**3,662**	**4,516**
EPS (Bt)	0.6	1.1	1.3	1.5	1.9
Normalized EPS (Bt)	0.6	1.1	1.3	1.5	1.9

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	5,861	11,886	12,185	13,723	16,536
Cash & cash equivalent	1,121	1,851	1,000	1,400	3,000
Account receivables	864	2,707	3,280	3,667	4,100
Inventories	3,664	6,208	7,543	8,282	9,051
Others	211	1,120	362	373	384
Investments & loans	675	774	872	971	1,070
Net fixed assets	506	615	772	896	984
Other assets	2,165	2,691	2,647	2,474	2,302
Total assets	**9,207**	**15,966**	**16,476**	**18,064**	**20,891**
LIABILITIES:					
Current liabilities:	4,430	9,751	8,645	8,810	10,360
Account payables	2,464	5,106	6,204	7,030	7,839
Bank overdraft & ST loans	1,283	3,801	1,270	933	2,051
Current LT debt	0	0	0	0	0
Others current liabilities	683	844	1,171	847	470
Total LT debt	**708**	**677**	**226**	**166**	**366**
Others LT liabilities	198	237	224	251	280
Total liabilities	**5,336**	**10,665**	**9,096**	**9,226**	**11,006**
Minority interest	19	16	14	14	12
Preferreds shares	0	0	0	0	0
Paid-up capital	300	300	600	600	600
Share premium	899	899	899	899	899
Warrants	0	0	0	0	0
Surplus	(15)	(14)	(14)	(14)	(14)
Retained earnings	**2,668**	**4,100**	**5,881**	**7,338**	**8,388**
Shareholders' equity	3,852	5,285	7,366	8,823	9,873
Liabilities & equity	**9,207**	**15,966**	**16,476**	**18,064**	**20,891**

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	1,718	3,065	3,669	4,377	5,424
Tax paid	(276)	(433)	(662)	(761)	(982)
Depreciation & amortization	630	787	726	804	886
Chg In working capital	332	(1,745)	(810)	(301)	(393)
Chg In other CA & CL / minorities	492	(71)	392	(289)	(316)
Cash flow from operations	**2,896**	**1,604**	**3,315**	**3,831**	**4,619**
Capex	(28)	(292)	(400)	(420)	(440)
Right of use	(1,718)	(514)	(100)	(100)	(100)
ST loans & investments	36	(725)	769	0	0
LT loans & investments	(162)	(99)	(99)	(99)	(99)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(46)	(558)	(351)	(210)	(232)
Cash flow from investments	**(1,917)**	**(2,187)**	**(181)**	**(828)**	**(871)**
Debt financing	(149)	2,510	(2,982)	(398)	1,318
Capital increase	0	0	300	0	0
Dividends paid	(960)	(1,199)	(1,304)	(2,205)	(3,466)
Warrants & other surplus	(52)	1	0	0	0
Cash flow from financing	**(1,161)**	**1,312**	**(3,985)**	**(2,603)**	**(2,148)**
Free cash flow	**2,868**	**1,312**	**2,915**	**3,411**	**4,179**

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	50.1	27.8	23.5	19.8	16.1
Normalized PE - at target price (x)	64.6	35.9	30.3	25.6	20.7
PE (x)	48.7	27.6	23.5	19.8	16.1
PE - at target price (x)	62.8	35.6	30.3	25.6	20.7
EV/EBITDA (x)	31.2	19.4	16.4	13.9	11.4
EV/EBITDA - at target price (x)	40.1	24.9	21.1	18.0	14.7
P/BV (x)	18.8	13.7	9.9	8.2	7.4
P/BV - at target price (x)	24.3	17.7	12.7	10.6	9.5
P/CFO (x)	25.1	45.3	21.9	18.9	15.7
Price/sales (x)	1.9	1.4	1.2	1.0	0.9
Dividend yield (%)	1.7	1.7	1.9	4.1	5.4
FCF Yield (%)	4.0	1.8	4.0	4.7	5.8
(Bt)					
Normalized EPS	0.6	1.1	1.3	1.5	1.9
EPS	0.6	1.1	1.3	1.5	1.9
DPS	0.5	0.5	0.6	1.3	1.6
BV/share	1.6	2.2	3.1	3.7	4.1
CFO/share	1.2	0.7	1.4	1.6	1.9
FCF/share	1.2	0.5	1.2	1.4	1.7

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	11.8	37.0	21.1	11.8	11.8
Net profit (%)	22.6	76.5	17.3	18.7	23.3
EPS (%)	22.6	76.5	17.3	18.7	23.3
Normalized profit (%)	19.1	80.0	18.3	18.7	23.3
Normalized EPS (%)	19.1	80.0	18.3	18.7	23.3
Dividend payout ratio (%)	80.5	45.6	45.6	82.0	87.0
Operating performance					
Gross margin (%)	12.6	13.4	13.1	13.0	13.2
Operating margin (%)	4.6	6.0	6.0	6.3	7.0
EBITDA margin (%)	6.3	7.6	7.2	7.5	8.2
Net margin (%)	3.7	4.9	4.8	5.1	5.7
D/E (incl. minor) (x)	0.5	0.8	0.2	0.1	0.2
Net D/E (incl. minor) (x)	0.2	0.5	0.1	(0.0)	(0.1)
Interest coverage - EBIT (x)	32.4	64.4	41.5	84.4	101.3
Interest coverage - EBITDA (x)	44.3	80.9	49.6	99.8	117.8
ROA - using norm profit (%)	15.8	20.7	19.0	21.2	23.2
ROE - using norm profit (%)	40.1	57.1	48.8	45.2	48.3
DuPont					
ROE - using after tax profit (%)	38.5	54.9	47.2	44.0	47.2
- asset turnover (x)	4.1	4.1	3.8	4.0	4.0
- operating margin (%)	4.7	6.1	6.1	6.4	7.1
- leverage (x)	2.5	2.8	2.6	2.1	2.1
- interest burden (%)	97.0	98.5	97.6	98.8	99.0
- tax burden (%)	80.9	81.9	81.3	81.3	81.3
WACC (%)	8.8	8.8	8.8	8.8	8.8
ROIC (%)	33.1	53.5	38.3	45.4	51.8
NOPAT (Bt m)	1,395	2,526	3,028	3,570	4,419
invested capital (Bt m)	4,721	7,913	7,863	8,522	9,290

Sources: Company data, Thanachart estimates

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80-89	△△△△	Very Good
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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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Recommendation Structure:

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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