

**SELL** (Unchanged)

Change in Numbers

**TP: Bt 44.00** (From: Bt 37.00)**Downside : 11.6%** **21 NOVEMBER 2022**

# Hana Micro Electronics (HANA TB)

## Risk of windfall dwindling

**HANA's strong 3Q22 earnings included a substantial weak baht windfall. With the baht strengthening rapidly from its weakest point, we foresee a reverse impact on HANA in the following quarters. Together with a peaking of the global electronics cycle, we reaffirm our SELL rating on the stock.**

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### Currency windfall could reverse

Despite the softening global electronics industry, HANA reported surprisingly strong 3Q22 earnings of Bt843m, up 20% y-y and 40% q-q. The robust results were due in part to additional capacity with US dollar sales growing by 9% y-y and 12% q-q and more to weak baht benefits. Of the Bt843m in earnings, HANA estimates the baht benefit was Bt300m. Note that the baht weakened from an average of Bt34.4/US\$1 in 2Q22 to Bt36.4 in 3Q22. The baht is now at Bt36.1/US\$1 and our house view is an average of Bt34.3/33.1/32.0 per US\$ in 2023-25F.

### Growth outlook peaking

We forecast HANA's earnings growth to peak this year at 14% before a growth of -5/+6% in 2023-24F. This year, HANA still enjoyed decent global industry momentum in 1Q22, 8-9% extra capacity in 3Q22, and weaker baht benefits (Bt35.1/US\$1 in 9M22 vs. Bt31.9 in 2021). We expect some drop in 2023F earnings with the baht strengthening, industry demand softening, and limited new capacity growth offsetting the smaller loss from its silicon carbide (SiC) business. HANA has guided for softer business momentum in 4Q22.

### SiC business update

HANA began its SiC chip-making business in 2017. After four years of R&D work, it received sizable orders for commercial operation of < US\$19m in 2022F with the expectation of US\$35m next year. Its clients include EV charging stations and other consumer electronics producers. HANA expects a combined loss of Bt600m this year with a 2024-25 break-even target. SiC is an increasingly competitive market. In our model, although we use HANA's guidance for breakeven in 2025 and our own estimate of a Bt300m loss in 2023F, longer term we prefer to be conservative and leave profit-generation as a potential upside. That said, we provide an earnings sensitivity analysis in Exhibit 12.

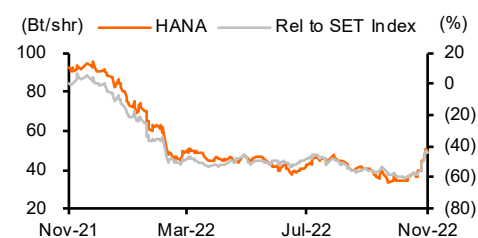
### Reaffirming SELL

We maintain our SELL call on HANA with a new DCF-based 12-month TP of Bt44 (from Bt37). *First*, we expect a peaking of the global electronics industry given the global slowdown outlook. *Second*, despite our 13/3/1% earnings upgrades on our weaker baht assumptions as shown in Exhibit 10 (though the trend continues to be strengthening), we expect growth of -5/+5% in 2023-24F. *Third*, we believe 3Q22 earnings were the peak with a 14% q-q fall on the way in 4Q22F. That is despite a 90% y-y growth from an abnormally low base in 4Q21. *Lastly*, HANA doesn't look cheap to us trading at a 16x PE multiple in 2023F against a no-growth outlook.

### COMPANY VALUATION

VALUATION	2021A	2022F	2023F	2024F
Sales	23,780	27,491	26,520	26,689
Net profit	1,545	2,581	2,446	2,595
Consensus NP	—	1,867	2,312	2,762
Diff frm cons (%)	—	38.2	5.8	(6.1)
Norm profit	2,274	2,581	2,446	2,595
Prev. Norm profit	—	2,293	2,382	2,569
Chg frm prev (%)	—	12.5	2.7	1.0
Norm EPS (Bt)	2.8	3.2	3.0	3.2
Norm EPS grw (%)	26.5	13.5	(5.2)	6.1
Norm PE (x)	17.6	15.5	16.4	15.4
EV/EBITDA (x)	10.9	9.6	9.4	8.6
P/BV (x)	1.7	1.7	1.6	1.6
Div yield (%)	4.0	4.3	4.0	3.9
ROE (%)	10.2	11.0	10.0	10.3
Net D/E (%)	(24.6)	(19.3)	(23.8)	(28.8)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price: (Bt) as of 21-Nov-22	49.75
Market Cap (US\$ m)	1,105.4
Listed Shares (m shares)	804.9
Free Float (%)	57.8
Avg. Daily Turnover (US\$ m)	10.4
12M Price H/L (Bt)	95.25/33.50
Sector	Electronics
Major Shareholder	OMAC (HK) Limited 21.43%

Sources: Bloomberg, Company data, Thanachart estimates

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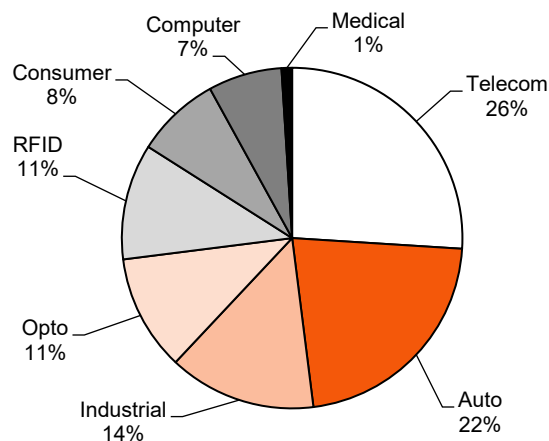
## Earnings set to peak

*We expect HANA's earnings to weaken*

We expect Hana Microelectronics Pcl's (HANA) earnings to peak this year with 14% growth before a growth of -5/+6% in 2023-24F. This year, HANA still benefited from decent global industry momentum in 1Q22, 8-9% new capacity in 3Q22, and the weak baht (Bt35.1/US\$1 in 9M22 vs. Bt31.9/US\$1 in 2021). HANA guides for softer business momentum in 4Q22, and expects this to continue into 2023 amid the global slowdown. Together with our expectations for a stronger baht and limited new capacity growth offsetting the smaller loss from its new chip-developing business, we expect HANA's EBIT margin to trend down from 10% in 3Q22 to 8.7% in 4Q22F and 7.9% in 2023F.

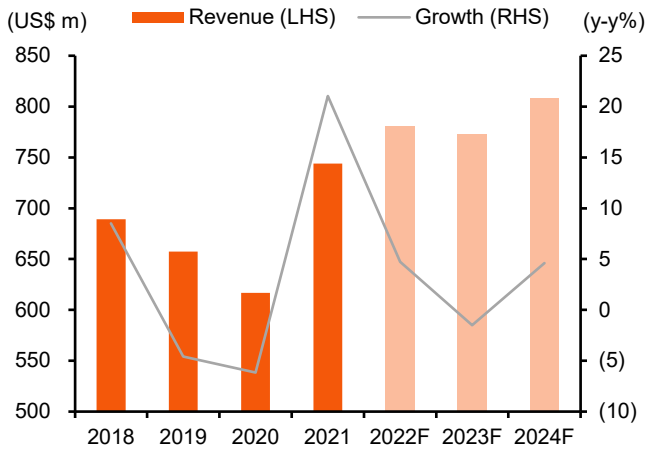
Breaking its businesses down, HANA expects sales of mobile phones and computers to experience limited weakness next year after having fallen already this year given the very high base in 2021 amid the work-and-study from home trend (there has been much less of such activities this year). Automotive sales will likely decline next year after strong stocking up of inventories by brand owners this year amid a supply shortage. Next year, inflation and high interest rates also look set to dampen car demand. Sales of consumer and industrial electronic products may fall as well along with the likely global slowdown next year. The only strong growth segment is electric vehicles (EV) but this still only contributes a low-single-digit portion of HANA's sales.

### Ex 1: Sales Breakdown By Industry



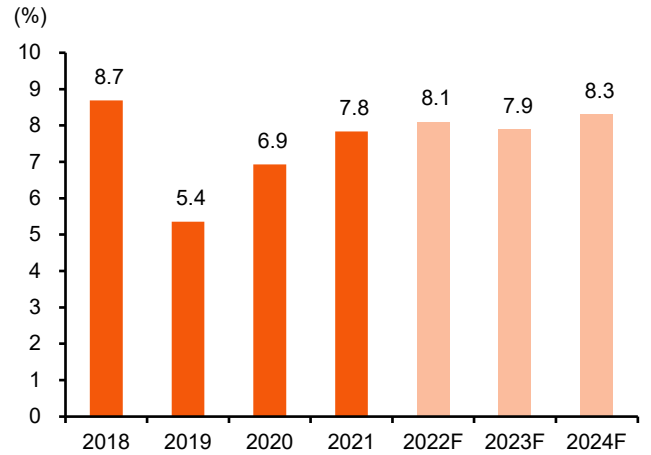
Source: Company data

**Ex 2: US Dollar Sales**



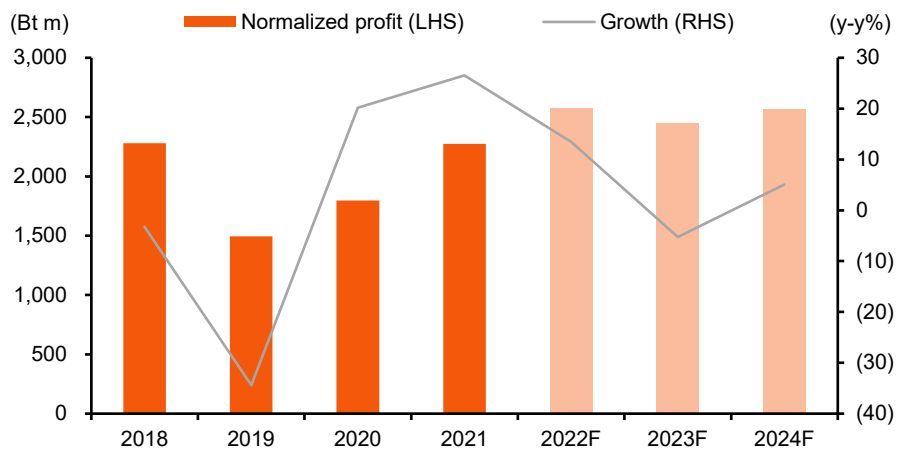
Sources: Company data; Thanachart estimates

**Ex 3: EBIT Margin Trend**



Sources: Company data; Thanachart estimates

**Ex 4: HANA's Earnings Outlook**



Sources: Company data, Thanachart estimates

**Ex 5: HANA's Capacity Timeline**

(%)	2021	2022F	2023F	2024F
Year-end capacity growth	5	30	1	0
Effective capacity growth	4	24	8	0
Implied extra sales	7	9	6	0

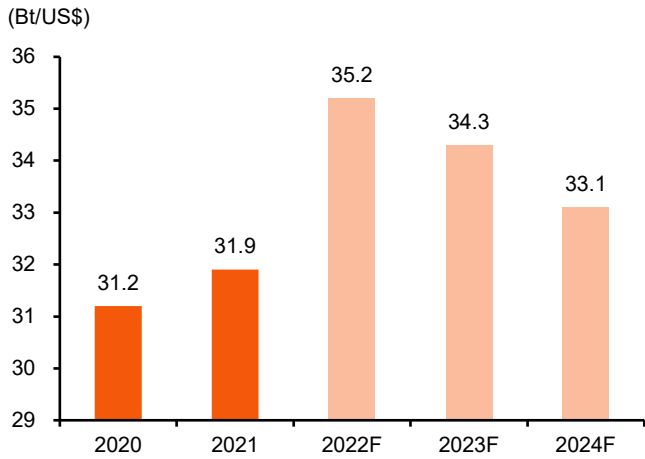
Sources: Company data; Thanachart estimates

**Ex 6: The Baht Trend**



Source: Bloomberg

**Ex 7: Baht Assumption**



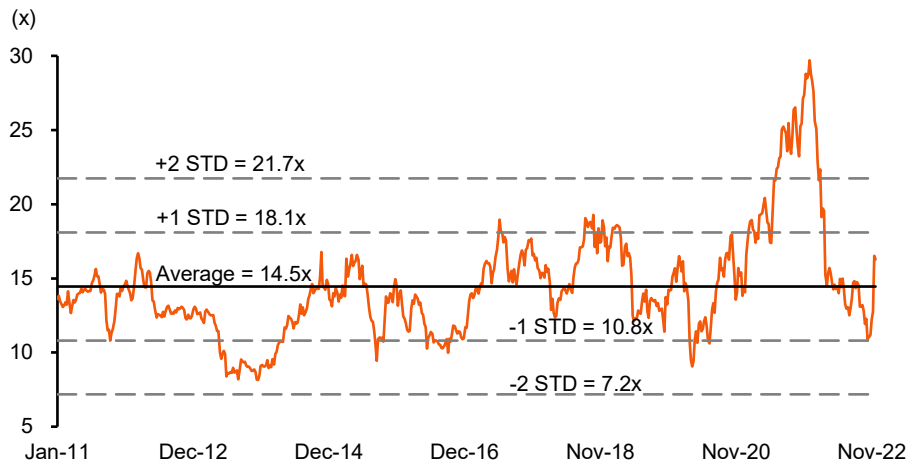
Sources: Bloomberg; Thanachart estimates

**Ex 8: Our Assumptions**

	2020	2021	2022F	2023F	2024F
Year-end capacity growth (%)	-	5	30	1	-
Effective capacity growth (%)	-	4	24	8	-
Implied extra sales (%)	-	7	9	6	-
US\$ sales growth (%)	(6)	21	5	(2)	5
Baht assumption (US\$/Baht)	31.2	31.9	35.2	34.3	33.1
Baht sales growth (%)	(5.4)	23.3	15.6	(3.5)	0.6
Gross margin (%)	13.2	13.8	13.6	13.5	14.1
SG&A to sales (%)	6.3	6.0	5.5	5.6	5.8

Sources: Company data; Thanachart estimates

**Ex 9: PE**



Sources: Bloomberg; Thanachart estimates

**Ex 10: Earnings Revisions**

	2020	2021	2022F	2023F	2024F
<b>Sales (US\$ m)</b>					
New	617	744	781	773	809
Old			770	801	861
Change (%)			1.5	(3.4)	(6.1)
<b>Bt/USD</b>					
New	31.2	32.0	35.2	34.3	33.1
Old			34.8	34.1	32.1
<b>Sales (Bt m)</b>					
New	19,283	23,780	27,491	26,520	26,689
Old			26,757	27,268	27,619
Change (%)			2.7	(2.7)	(3.4)
<b>Gross margin (%)</b>					
New	13.2	13.8	13.6	13.5	14.1
Old			12.9	13.2	13.7
Change (pp)			0.7	0.3	0.4
<b>SG&amp;A/sales (%)</b>					
New	6.3	6.0	5.5	5.6	5.8
Old			5.4	5.4	5.3
Change (pp)			0.0	0.2	0.5
<b>Normalized profit (Bt m)</b>					
New	1,798	2,274	2,581	2,446	2,595
Old			2,293	2,382	2,569
Change (%)			12.5	2.7	1.0

Sources: Company data, Thanachart estimates

**SiC business recap & update****HANA's new chip-making business**

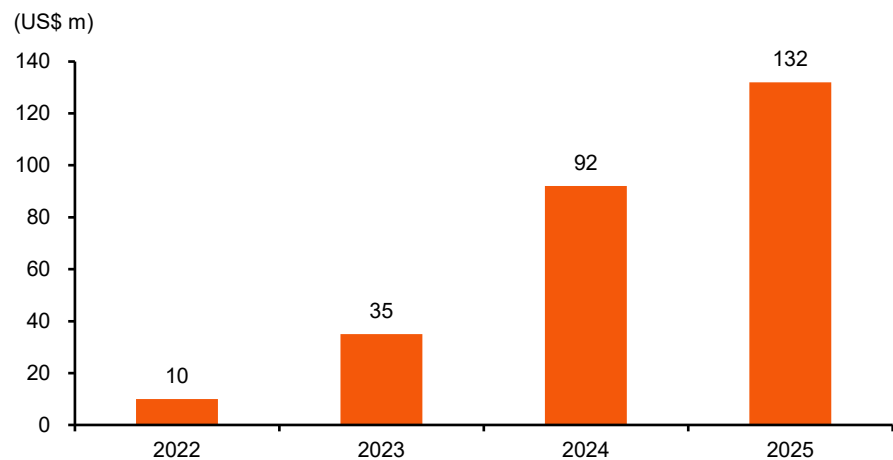
Five years ago, HANA started up a 100%-owned company, PMS, in South Korea. It employed a group of engineers to develop standard silicon (Si) and silicon carbide (SiC) controlling chips for power-management devices.

In brief, power-management products are general devices used in all electronic products to convert and control the flow of electricity. Si continues to be the main material used to make chips in most electronic products. However, as more and more functions are added to electronic products, including the rise of higher-power voltage electronic vehicles that need increased voltages to operate, demand is shifting toward SiC, which is more durable and resistant to heat than Si.

PMS's current clients include Chinese telecommunication & server companies, leading South Korean auto companies, and a major South Korean EV charger company. HANA's plan is to focus on clients in South Korea and China. South Korea has been one of the main producers of the new-trend electronic devices which use Si and SiC power-management devices and there are still only a limited number of players. In China, although there are some major Si and SiC players present, HANA expects to capture demand from companies wanting to diversify out of China because of fears of the ongoing US-China trade conflict.

After four years of R&D, PMS has received sizable orders for commercial production with expected revenues of <US\$19m this year and US\$35m next year, before rising to US\$132m in 2025 when HANA expects PMS to break even.

#### Ex 11: Revenue Guidance For PMS



Sources: Company data, Thanachart estimates

HANA foresees a better growth outlook for SiC chips. The SiC chip industry is worth around US\$1bn currently. According to Markets & Markets, an electronic product research center, the SiC industry value is expected to reach US\$2bn level in 2025. According to HANA's revenue guidance in Exhibit 11, the company expects to control low-single digit market share of the market.

PMS looks likely to make a Bt600m loss this year. We estimate the loss to fall to Bt300m next year before reaching breakeven in 2025F, in line with HANA's expectation. That said, we have yet to factor in PMS's success after breakeven in 2025F given the fierce competition in the SiC chip market. However, we provide a sensitivity analysis in Exhibit 12.

#### *Our scenario analysis for HANA's new business*

We use price-to-sales methodology to derive a value for PMS given the limited information available. Note that there is only one listed pure-SiC player, Wolfspeed, the leading global SiC chip maker. According to the Bloomberg consensus, Wolfspeed is expected to make US\$0.75bn.m in revenues this year, rising to US\$1.02bn next year. However, it is expected to make a US\$60m loss this year and US\$62 next year. Currently, Wolfspeed is trading on 11x P/S in 2023, falling to 5x in 2025F. We expect HANA, a new player with a much smaller business scale, to enjoy a lower premium than Wolfspeed. Exhibit 12 shows the share price values of HANA's new PMS business in a scenario analysis. Note that HANA's current EMS business is trading at only 1.5x P/S.

**Ex 12: PMS's Share Price Value Scenarios**

	2023F*	2025F
SiC device market size US\$ (m)		3,000
Assumed market share		4%
HANA's SiC US\$ sales (m)		132
HANA's SiC Bt sales @ US\$34.3/baht (m)		4,528
Bt value per share at p/s:		
-2x	8.3	11.3
-3x	12.4	16.9
-4x	16.5	22.5
-5x	20.7	28.1
-6x	24.8	33.8
-7x	28.9	39.4
-8x	33.1	45.0
-9x	37.2	50.6
-10x	41.3	56.3

Sources: Company data, Thanachart estimates

Note: \*Assume 10.8% WACC

**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	3,634	3,812	3,841	3,860	4,063	4,327	4,640	4,877	5,120	5,262	5,431	—
Free cash flow	3,229	3,052	3,094	3,129	3,158	1,431	3,521	3,901	4,155	4,406	3,687	38,303
PV of free cash flow	2,914	2,485	2,243	2,037	1,847	752	1,661	1,653	1,582	1,506	1,078	11,202
Risk-free rate (%)	3.5											
Market risk premium (%)	8.0											
Beta	1.1											
WACC (%)	10.8											
Terminal growth (%)	2.0											
Enterprise value - add investments	30,959											
Net debt (2022F)	(4,635)											
Minority interest	—											
Equity value	35,595											
# of shares (m)	805											
<b>Target price/share (Bt)</b>	<b>44</b>											

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 14: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div. yield —	
			22F (%)	23F (%)	22F (x)	23F (x)	22F (x)	23F (x)	22F (%)	23F (%)	22F (%)	23F (%)
Compal Electronics Inc	2324 TT	Taiwan	(29.8)	0.3	10.4	10.3	0.8	0.8	10.2	9.7	8.0	7.2
Foxconn Technology	2354 TT	Taiwan	30.0	6.8	12.0	11.3	0.5	0.5	1.8	1.5	3.9	4.5
Hon Hai Precision Indus.	2317 TT	Taiwan	3.9	9.1	9.6	8.8	0.9	0.9	5.6	5.3	5.5	5.9
Lite-On Technology Corp	2301 TT	Taiwan	3.3	9.2	10.6	9.7	2.0	1.8	5.2	4.7	6.9	7.5
Pegatron Corp	4938 TT	Taiwan	(23.0)	12.4	10.0	8.9	0.9	0.8	4.9	4.9	7.4	7.4
Wistron Corp	3231 TT	Taiwan	(8.8)	0.4	8.0	7.9	0.9	0.8	5.2	4.8	8.4	8.4
Wistron NeWeb Corp	6285 TT	Taiwan	137.8	18.3	11.0	9.3	1.8	1.6	8.5	7.3	6.4	8.0
Fabrinet	FN US	US	23.6	8.6	17.1	15.8	3.3	2.8	13.2	12.1	na	na
Plexus Corp	PLXS US	US	23.3	13.3	17.6	15.6	2.4	2.1	10.5	9.6	na	na
Sanmina Corp	SANM US	US	17.2	13.5	11.3	10.0	na	na	5.9	5.5	0.0	0.0
Siix Corp	7613 JP	Japan	33.6	20.5	10.3	8.5	0.9	0.8	7.9	7.0	2.3	2.5
SVI Pcl	SVI TB	Thailand	5.2	4.5	13.3	12.7	3.1	2.6	12.8	11.4	2.9	3.0
Delta Electronics	DELTA TB*	Thailand	170.7	9.1	49.0	44.9	15.1	12.5	41.8	37.3	0.8	0.9
Hana Microelectronics	HANA TB*	Thailand	13.5	(5.2)	15.5	16.4	1.7	1.6	9.6	9.4	4.3	4.0
KCE Electronics	KCE TB*	Thailand	5.4	9.0	24.6	22.6	4.0	3.8	15.7	14.4	2.8	3.1
<b>Average</b>			<b>31.1</b>	<b>8.7</b>	<b>15.4</b>	<b>14.2</b>	<b>2.7</b>	<b>2.4</b>	<b>10.6</b>	<b>9.7</b>	<b>4.6</b>	<b>4.8</b>

Source: Bloomberg

Note: \*Thanachart estimates, using Thanachart normalized EPS

Based on 21-Nov-2022 closing prices

## COMPANY DESCRIPTION

Hana Microelectronics Pcl (HANA) is an electronics manufacturing service (EMS) company, producing electronic components for original equipment manufacturers (OEM). The company offers three services for its clients: Printed Circuit Board Assembly (PCBA), Integrated Circuit Assembly and Test (IC), and Microdisplay. HANA has five manufacturing bases in Thailand, China, Cambodia, and the US.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Well-established production facilities.
- Highly capable and experienced management team who have been working together for over a decade.
- High net cash position and no financial leverage.

### O — Opportunity

- In-house developed production processes lowering production costs.
- Expanding to value-added and higher-margin industries such as the automotive and medical sectors.
- Capacity expansion allows the company to boost revenues when demand recovers.

### W — Weakness

- Capital-intensive business, particularly machinery.
- Depends to a large extent on global demand for electronic components.
- Competing on a global scale with other big EMS players.

### T — Threat

- Unexpected external events (i.e. flooding, political turmoil) can disrupt HANA's operations.
- New developments in the fast-changing technology industry can significantly dent demand for its products.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	54.68	44.00	-20%
<b>Net profit 22F (Bt m)</b>	1,867	2,581	38%
<b>Net profit 23F (Bt m)</b>	2,312	2,446	6%
<b>Consensus REC</b>	<b>BUY: 9</b>	<b>HOLD: 7</b>	<b>SELL: 2</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Although our 2022-23F earnings are above the Bloomberg consensus numbers, our TP is lower which we attribute to us having a more conservative view of the long-term growth outlook of the electronics industry.

Sources: Bloomberg consensus, Thanachart estimates

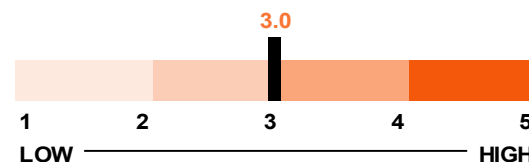
## RISKS TO OUR INVESTMENT CASE

- A prolonged upturn in the global semiconductor industry would represent an upside risk to our projections and TP.
- Larger-than-expected positive impact from global trade and geopolitical issues represent another key upside risk to our forecasts.
- Our forecasts are based on an assumption of a strengthening baht; thus, if the baht weakens more than we expect this would present upside risk to our projections.
- The success rate of its R&D projects represents another risk to our earnings forecasts.

Source: Thanachart

HANA is among the top-30 global EMS service providers for electronic products. HANA has clear targets for pollution reduction, and it is implementing various measures to achieve these goals, although its manufacturing-based business release sizable amounts of pollutants by nature. Our ESG score for HANA is 3.0.

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)
HANA	YES	YES	-	BBB	64.89	51.09	20.31	-	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 "term of use" in the following back page.

### Factors Our Comments

#### ENVIRONMENT

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

- HANA is among the top-30 global service providers for chip packaging and printed circuit board assembly services. The company has pollution release measurement systems and it also has specific plans to achieve its ESG targets. HANA has shown its ability to reduce the release of greenhouse gases (GHG) over the years. Against its base year in 2020, HANA reduced GHG by 14%. It expects a 40% reduction to be achieved by 2030.
- HANA also focuses on waste management. The amount of waste that can be recovered for reuse stood at 87% of the total in 2021. Waste levels have fallen over the years.
- HANA has undertaken investments in projects to reduce the energy consumption of its equipment and machinery. Its energy usage has also fallen over the years.
- HANA focuses on water conservation. Its water consumption level has been continuously reduced.
- HANA was named on the list of sustainable stocks in 2021. HANA also received the Rising Star Sustainability award from the Stock Exchange of Thailand.

#### SOCIAL

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

- HANA believes it provides appropriate employee remuneration which covers employees' own economic betterment, healthcare improvement, and family support.
- HANA has received certificates, e.g., ISO 9001, IATF 16949 and ISO 13485, to ensure that its products and services are safe for consumers and related parties.
- HANA has been active in providing support, such as donations and other help for those in need. The company also helps support career development and income generation for communities, e.g., helping build a bakery learning knowledge center.

#### GOVERNANCE & SUSTAINABILITY

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

- HANA has a six-member board of directors (BOD), which is smaller than other businesses of a similar scale. Of the six members, two are independent directors. There are three members, including the chairman, who hold shares in HANA. There is one female board member.
- HANA has highly diversified end-products of smartphones, computers, cars, industrial and consumer electronics, and medical electronic products.
- HANA has been active in developing automation to reduce its workforce, although the process has been gradual.

Sources: Company data, Thanachart

**INCOME STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
Sales	19,283	23,780	27,491	26,520	26,689
Cost of sales	16,734	20,493	23,759	22,945	22,932
<b>Gross profit</b>	<b>2,548</b>	<b>3,287</b>	<b>3,733</b>	<b>3,575</b>	<b>3,757</b>
% gross margin	13.2%	13.8%	13.6%	13.5%	14.1%
Selling & administration expenses	1,211	1,423	1,505	1,480	1,537
<b>Operating profit</b>	<b>1,337</b>	<b>1,864</b>	<b>2,228</b>	<b>2,095</b>	<b>2,221</b>
% operating margin	6.9%	7.8%	8.1%	7.9%	8.3%
Depreciation & amortization	1,175	1,301	1,458	1,538	1,592
<b>EBITDA</b>	<b>2,512</b>	<b>3,165</b>	<b>3,686</b>	<b>3,634</b>	<b>3,812</b>
% EBITDA margin	13.0%	13.3%	13.4%	13.7%	14.3%
Non-operating income	530	471	417	414	445
Non-operating expenses	0	0	0	0	0
Interest expense	(9)	(7)	(4)	(7)	(11)
<b>Pre-tax profit</b>	<b>1,858</b>	<b>2,327</b>	<b>2,640</b>	<b>2,502</b>	<b>2,655</b>
Income tax	60	53	60	57	60
<b>After-tax profit</b>	<b>1,798</b>	<b>2,274</b>	<b>2,581</b>	<b>2,446</b>	<b>2,595</b>
% net margin	9.3%	9.6%	9.4%	9.2%	9.7%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	110	(729)	0	0	0
<b>NET PROFIT</b>	<b>1,908</b>	<b>1,545</b>	<b>2,581</b>	<b>2,446</b>	<b>2,595</b>
<b>Normalized profit</b>	<b>1,798</b>	<b>2,274</b>	<b>2,581</b>	<b>2,446</b>	<b>2,595</b>
EPS (Bt)	2.4	1.9	3.2	3.0	3.2
Normalized EPS (Bt)	2.2	2.8	3.2	3.0	3.2

*Margins to soften*

**BALANCE SHEET**

<b>FY ending Dec (Bt m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
<b>ASSETS:</b>					
Current assets:	17,720	17,570	19,094	20,129	22,658
Cash & cash equivalent	9,667	5,999	5,695	7,195	9,695
Account receivables	3,461	4,553	5,263	5,077	5,110
Inventories	4,496	6,857	7,949	7,677	7,673
Others	96	162	187	180	181
Investments & loans	72	72	72	72	72
Net fixed assets	6,938	9,663	10,221	9,699	9,123
Other assets	450	548	634	611	615
<b>Total assets</b>	<b>25,180</b>	<b>27,853</b>	<b>30,021</b>	<b>30,512</b>	<b>32,469</b>
<b>LIABILITIES:</b>					
Current liabilities:	2,806	4,029	5,153	5,259	6,204
Account payables	2,355	3,506	3,906	3,772	3,770
Bank overdraft & ST loans	300	334	1,043	1,288	2,235
Current LT debt	0	0	0	0	0
Others current liabilities	151	189	205	200	200
<b>Total LT debt</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>20</b>	<b>34</b>
Others LT liabilities	760	766	882	477	454
<b>Total liabilities</b>	<b>3,567</b>	<b>4,795</b>	<b>6,051</b>	<b>5,756</b>	<b>6,692</b>
Minority interest	0	0	0	0	0
Preferred shares	0	0	0	0	0
Paid-up capital	805	805	805	805	805
Share premium	1,723	1,723	1,723	1,723	1,723
Warrants	0	0	0	0	0
Surplus	(611)	671	671	671	671
<b>Retained earnings</b>	<b>19,696</b>	<b>19,859</b>	<b>20,770</b>	<b>21,556</b>	<b>22,578</b>
Shareholders' equity	21,614	23,058	23,969	24,756	25,777
<b>Liabilities &amp; equity</b>	<b>25,180</b>	<b>27,853</b>	<b>30,021</b>	<b>30,512</b>	<b>32,469</b>

*Still a healthy balance sheet, on our forecasts*

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
Earnings before tax	1,858	2,327	2,640	2,502	2,655
Tax paid	(70)	(45)	(60)	(56)	(61)
Depreciation & amortization	1,175	1,301	1,458	1,538	1,592
Chg In working capital	5	(2,301)	(1,403)	324	(30)
Chg In other CA & CL / minorities	497	(50)	(20)	(16)	(25)
<b>Cash flow from operations</b>	<b>3,465</b>	<b>1,233</b>	<b>2,616</b>	<b>4,293</b>	<b>4,131</b>
Capex	(1,199)	(4,010)	(2,000)	(1,000)	(1,000)
Right of use	0	0	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	136	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(103)	(551)	24	(382)	(19)
<b>Cash flow from investments</b>	<b>(1,165)</b>	<b>(4,560)</b>	<b>(1,976)</b>	<b>(1,382)</b>	<b>(1,019)</b>
Debt financing	(360)	(240)	725	248	961
Capital increase	0	0	0	0	0
Dividends paid	(1,046)	(1,409)	(1,669)	(1,659)	(1,573)
Warrants & other surplus	207	1,308	0	0	0
<b>Cash flow from financing</b>	<b>(1,200)</b>	<b>(341)</b>	<b>(944)</b>	<b>(1,411)</b>	<b>(612)</b>
<b>Free cash flow</b>	<b>2,266</b>	<b>(2,777)</b>	<b>616</b>	<b>3,293</b>	<b>3,131</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
Normalized PE (x)	22.3	17.6	15.5	16.4	15.4
Normalized PE - at target price (x)	19.7	15.6	13.7	14.5	13.6
PE (x)	21.0	25.9	15.5	16.4	15.4
PE - at target price (x)	18.6	22.9	13.7	14.5	13.6
EV/EBITDA (x)	12.2	10.9	9.6	9.4	8.6
EV/EBITDA - at target price (x)	10.4	9.4	8.4	8.1	7.3
P/BV (x)	1.9	1.7	1.7	1.6	1.6
P/BV - at target price (x)	1.6	1.5	1.5	1.4	1.4
P/CFO (x)	11.6	32.5	15.3	9.3	9.7
Price/sales (x)	2.1	1.7	1.5	1.5	1.5
Dividend yield (%)	2.8	4.0	4.3	4.0	3.9
FCF Yield (%)	5.7	(6.9)	1.5	8.2	7.8
<b>(Bt)</b>					
Normalized EPS	2.2	2.8	3.2	3.0	3.2
EPS	2.4	1.9	3.2	3.0	3.2
DPS	1.4	2.0	2.1	2.0	1.9
BV/share	26.9	28.6	29.8	30.8	32.0
CFO/share	4.3	1.5	3.3	5.3	5.1
FCF/share	2.8	(3.4)	0.8	4.1	3.9

Sources: Company data, Thanachart estimates

*Valuation is not cheap, in our view*

## FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
<b>Growth Rate</b>					
Sales (%)	(5.4)	23.3	15.6	(3.5)	0.6
Net profit (%)	5.7	(19.0)	67.0	(5.2)	6.1
EPS (%)	5.7	(19.0)	67.0	(5.2)	6.1
Normalized profit (%)	20.2	26.5	13.5	(5.2)	6.1
Normalized EPS (%)	20.2	26.5	13.5	(5.2)	6.1
Dividend payout ratio (%)	59.1	104.2	67.0	65.0	60.0
<b>Operating performance</b>					
Gross margin (%)	13.2	13.8	13.6	13.5	14.1
Operating margin (%)	6.9	7.8	8.1	7.9	8.3
EBITDA margin (%)	13.0	13.3	13.4	13.7	14.3
Net margin (%)	9.3	9.6	9.4	9.2	9.7
D/E (incl. minor) (x)	0.0	0.0	0.0	0.1	0.1
Net D/E (incl. minor) (x)	(0.4)	(0.2)	(0.2)	(0.2)	(0.3)
Interest coverage - EBIT (x)	147.5	248.8	na	295.2	207.0
Interest coverage - EBITDA (x)	277.1	422.5	874.9	511.9	355.4
ROA - using norm profit (%)	7.2	8.6	8.9	8.1	8.2
ROE - using norm profit (%)	8.5	10.2	11.0	10.0	10.3
<b>DuPont</b>					
ROE - using after tax profit (%)	8.5	10.2	11.0	10.0	10.3
- asset turnover (x)	0.8	0.9	1.0	0.9	0.8
- operating margin (%)	9.7	9.8	9.6	9.5	10.0
- leverage (x)	1.2	1.2	1.2	1.2	1.2
- interest burden (%)	99.5	99.7	99.8	99.7	99.6
- tax burden (%)	96.8	97.7	97.7	97.7	97.7
WACC (%)	10.8	10.8	10.8	10.8	10.8
ROIC (%)	10.1	14.9	12.5	10.6	11.5
NOPAT (Bt m)	1,294	1,822	2,177	2,048	2,170
invested capital (Bt m)	12,247	17,393	19,334	18,868	18,351

Sources: Company data, Thanachart estimates

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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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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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