Thanachart Securities

SELL (Unchanged) | **TP: Bt 538.00** (From: Bt 490.00) | **12 JANUARY 2023**

Change in Numbers | **Downside : 38.3%**

Delta Electronics Pcl (DELTA TB)

Cliff hanging

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We reaffirm our SELL call on DELTA given its expensive valuation matrix of 69/62x PE against 13/11% EPS growth in 2023-24F. While 4Q22F earnings are likely to be unexciting, challenges this year are a stronger baht and its main datacenter business peaking.

Revising our earnings

We cut our earnings estimates for DELTA by 14/11/8% in 2022-24F due to its weaker-than-expected datacenter and telecom infrastructure businesses since 2H22F. 4Q22F also saw some impact from the stronger baht and we expect flat growth from 3Q22. However, we lift our projections by 12% p.a. from 2025F onwards to reflect its strong EV business and our 2023F DCF-based TP is raised to Bt538 (from Bt490). After the revisions, we project 133/13/11% EPS growth in 2022-24F. We reaffirm our SELL call on DELTA, seeing an end to its high-growth phase and settling at a more moderate low-teens percentage level but its valuation remains at hanging-cliff peaks of 69/62x PE in 2023-24F.

Datacenter business slowing down

DELTA enjoyed a 123% EPS CAGR in 2020-22F driven mainly by the 37% p.a. sales growth of its datacenter business. Datacenter is DELTA's biggest business accounting for 70% of its 2022F EBIT. Its sales growth started to show slower momentum in 2H22 and we estimate only 5% p.a. growth in 2023-24F. The weaker growth is due to slower growth of online activities after the global reopening, which is causing DELTA's clients to reduce capex spending (Exhibit 11).

Strong EV

EV made up 18% of DELTA's 2022F sales while it grew 57% p.a. during 2020-22F. This is the business with the brightest outlook for DELTA. DELTA's new EV factory that will double capacity is due to be completed by mid-2023 and the company expects to ramp up utilization quickly, foreseeing strong order flows. We expect 2023-24F EV sales to grow 75/30% and for the business to turn a profit at US$62/100m vs. a US$10m loss in 2022F.

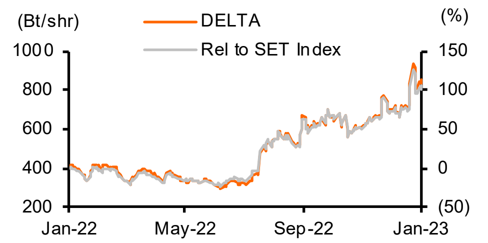
Baht pressure

The baht forex rate against the greenback averaged Bt35/US$ in 2022 with a peak of Bt38.0 in October last year. The baht is now at US$33.5/US$ and we expect this to put pressure on DELTA. Our house view is for a strengthening baht trend to Bt34.3/33.0 in 2023-24F. We estimate DELTA's earnings sensitivity at a 2% negative earnings impact for each 1% of appreciation against the US dollar.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	84,318	117,293	129,981	141,091
Net profit	6,699	14,129	16,023	17,838
Consensus NP	—	14,447	16,543	18,793
Diff frm cons (%)	—	*(2.2)*	*(3.1)*	*(5.1)*
Norm profit	6,075	14,129	16,023	17,838
Prev. Norm profit	—	16,442	17,931	19,478
Chg frm prev (%)	—	*(14.1)*	*(10.6)*	*(8.4)*
Norm EPS (Bt)	4.8	11.2	12.7	14.2
Norm EPS grw (%)	(10.8)	132.6	13.4	11.3
Norm PE (x)	180.7	77.7	68.5	61.5
EV/EBITDA (x)	129.7	65.3	56.7	50.2
P/BV (x)	26.5	21.3	17.8	15.1
Div yield (%)	0.2	0.5	0.6	0.7
ROE (%)	15.4	30.4	28.3	26.6
Net D/E (%)	(9.7)	(10.7)	(30.7)	(44.0)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 12-Jan-23 (Bt)	872.00
Market Cap (US$ m)	32,610.3
Listed Shares (m shares)	1,247.4
Free Float (%)	22.4
Avg. Daily Turnover (US$ m)	74.8
12M Price H/L (Bt)	930.00/292.00
Sector	Electronics
Major Shareholder	Delta Group 63.8%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report ……………...………….. P10

Revising our earnings

We revise up our earnings but maintain our SELL rating on DELTA

We cut our earnings estimates for Delta Electronics Pcl (DELTA) by 14/11/8% in 2022-24F given its weaker-than-expected datacenter and telecom infrastructure businesses since 2H22F. We also expect a negative impact from the strengthening of the baht and we foresee DELTA generate slower earnings growth from 2023F. That said, we boost our earnings by 12% p.a. from 2025F to reflect its strong electric vehicle (EV) business and our DCF-based 12-month TP, using a 2023F base year, is revised up to Bt538 from Bt490.

Ex 1: Earnings Revisions

	2019	2020	2021	2022F	2023F	2024F
Sales (US$ m)						
- New	1,636	1,999	2,604.1	3,227.7	3,713.7	4,149.7
- Old				3,157.9	3,374.8	3,690.7
- Change (%)				*2.2*	*10.0*	*12.4*
Bt/US$						
- New	31.8	31.6	32.4	35.3	34.3	33.0
- Old				35.3	35.0	33.0
Sales (Bt m)						
- New	52,047	63,208	84,318	117,293	129,981	141,091
- Old				114,758	121,494	125,482
- Change (%)				*2.2*	*7.0*	*12.4*
Gross margin (%)						
- New	20.6	23.9	20.6	23.0	23.4	23.7
- Old				25.7	26.5	28.1
- Change (%)				*(2.7)*	*(3.1)*	*(4.4)*
SG&A to sales (%)						
- New	16.0	13.9	13.6	11.2	11.3	11.3
- Old				11.6	12.0	12.9
- Change (%)				*(3.1)*	*(5.8)*	*(12.1)*
Normalized earnings						
- New	3,010	6,809	6,075	14,129	16,023	17,838
- Old				16,442	17,931	19,478
- Change (%)				*(14.1)*	*(10.6)*	*(8.4)*

Sources: Company data, Thanachart estimates

Ex 2: Our Assumptions

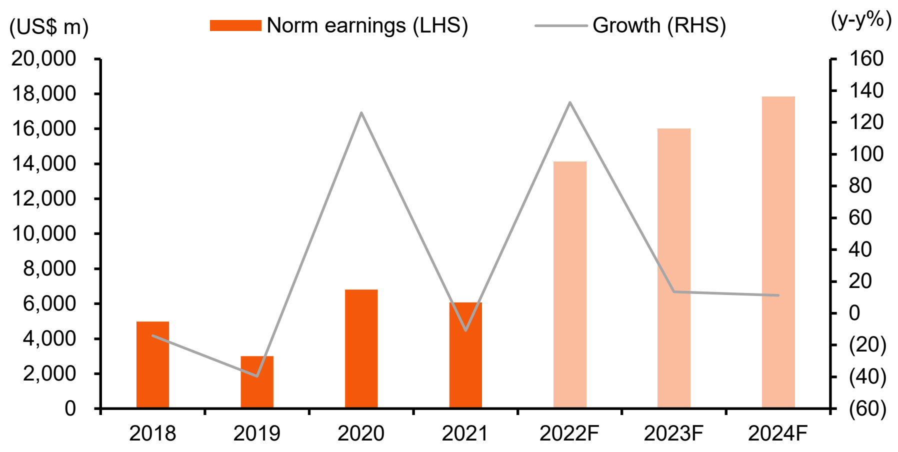
	2019	2020	2021	2022F	2023F	2024F
Total sales growth (US$ %)	**(0.2)**	**22.2**	**30.3**	**23.9**	**15.1**	**11.7**
- Datacenter	9.0	38.7	12.4	62.0	4.0	5.0
- EV	(20.0)	33.1	91.6	45.0	75.0	30.0
- Other businesses	0.3	14.9	27.7	4.7	0.9	4.9
Bt/US$	31.8	31.6	32.4	35.3	34.0	33.0
Gross margin (%)	20.6	23.9	20.6	23.0	23.4	23.7
SG&A to sales (%)	16.0	13.9	13.6	11.2	11.3	11.3

Sources: Company data, Thanachart estimates

Falling growth path vs. high PE

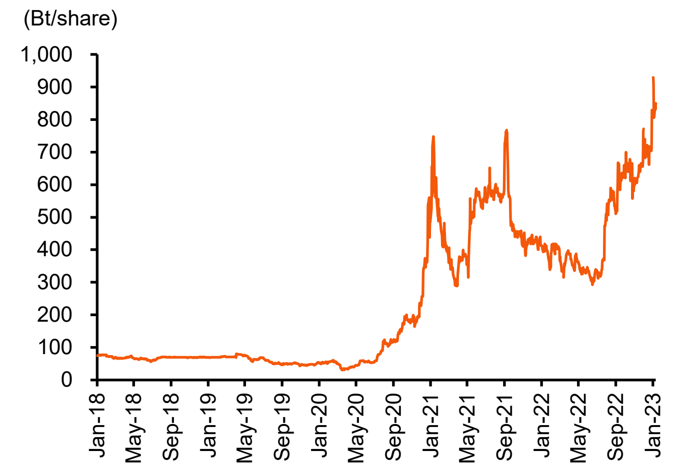
We reaffirm our SELL rating on shares of DELTA. Despite our upward earnings revisions, we estimate DELTA's earnings growth to fall to 13/11% in 2023-24F after the COVID-driven high 123% EPS CAGR in 2020-22F. We see DELTA as overvalued, trading at 69x PE against its growth profile.

Ex 3: Earnings Growth



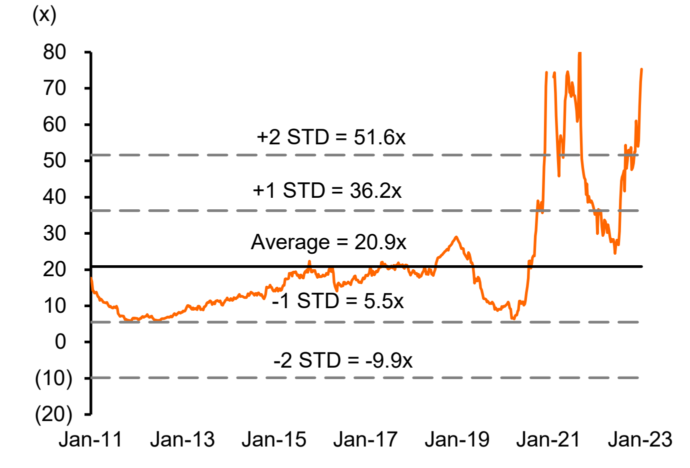
Sources: Company data, Thanachart estimates

Ex 4: A Jump In DELTA's Share Price



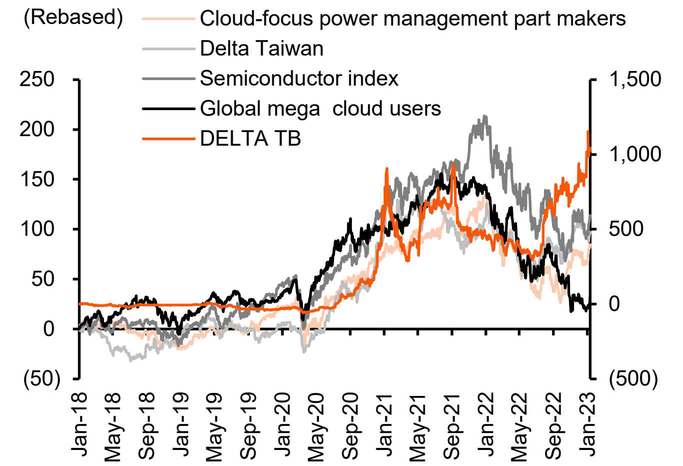
Sources: Company data; Thanachart estimates

Ex 5: A Big PE Re-rating



Sources: Company data; Thanachart estimates

Ex 6: DELTA Vs. Peers

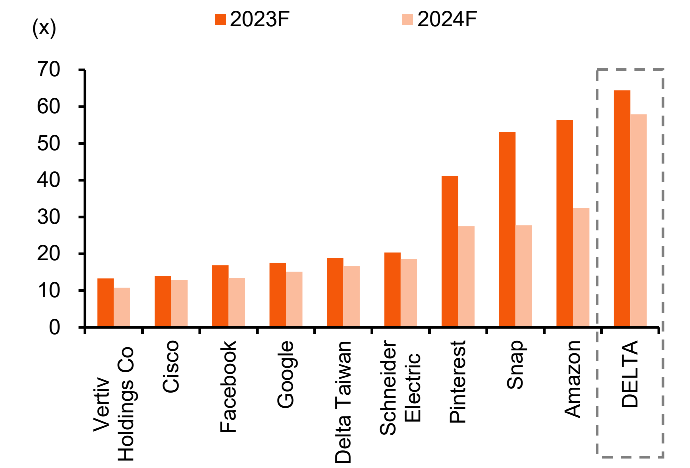


Source: Bloomberg

Note: *Cloud-focused power management parts makers include Vertiv and Schneider.

*Global mega-cloud users include Facebook, Google, Amazon, Snap, Pinterest, Cisco

Ex 7: 2023-24F PE Comparison



Sources: Bloomberg, Thanachart estimates (for DELTA)

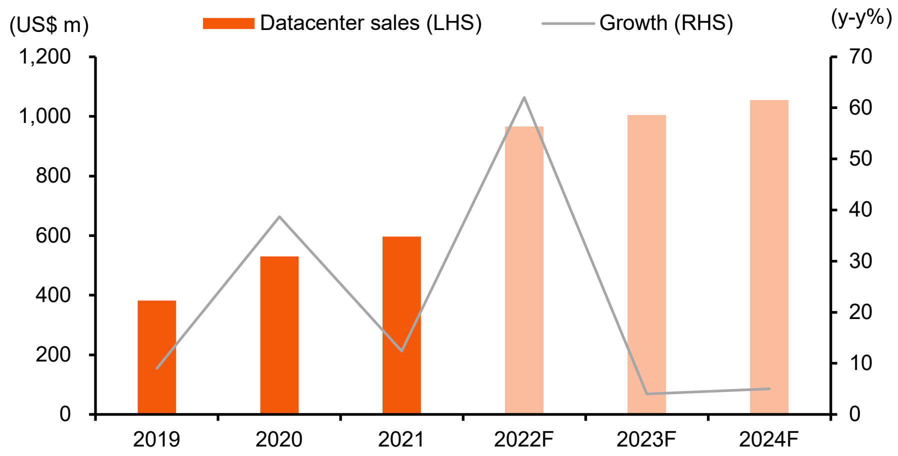
Datacenter slowing down

The largest business slows down

DELTA's very strong 123% EPS CAGR in 2020-22F was attributable mostly to its datacenter business. Datacenter has been growing by 37% p.a. from 2020-22F thanks to the booming electronics industry and a jump in online activities during COVID years that has accelerated the capex cycle for corporates in cloud investments. A datacenter is a device used to store and process data for cloud systems. DELTA's datacenter business is its highest gross margin business and it accounted for 70% of the company's EBIT in 2022F.

That said, the datacenter business has started to show slower momentum in 2H22F and we estimate only 5% p.a. growth in 2023-24F, despite our expectation for the global digitalization trend to continue.

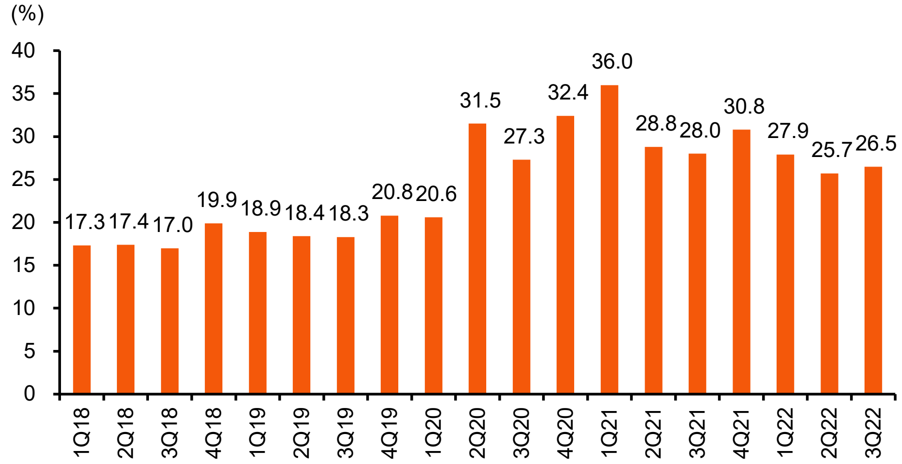
Ex 8: DELTA's Datacenter Sales Trajectory



Sources: Company data, Thanachart estimates

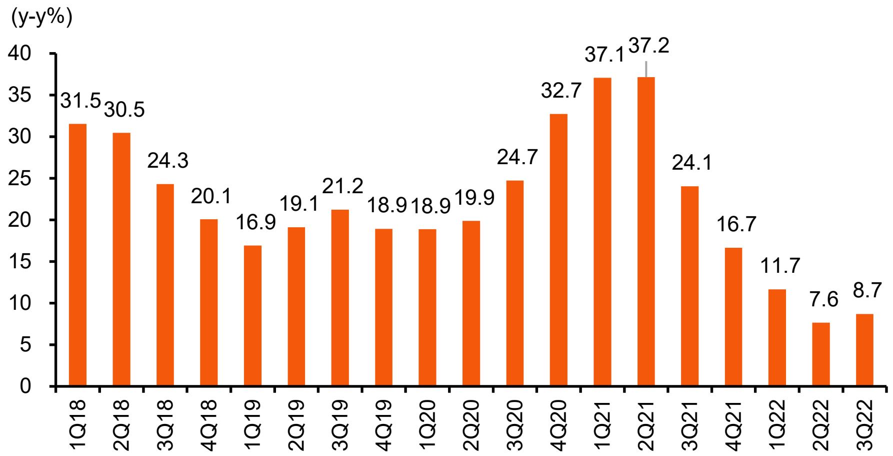
First, the country re-openings around the world have resulted in less online activities with people going back to work, kids going back to school and a return to shopping at stores. Accordingly, the growth rate of online activities has slowed leading to slower expansion of capex spending on cloud. Exhibit 9 shows falling global E commerce sales while Exhibit 10 illustrates continuous declines in the revenue growth of mega-cloud users such as Facebook, Twitter, Snap, Google, Amazon and Cisco because of people spending less time on online-related platforms like online shopping and social media.

Ex 9: Global E-Commerce Sales Fall



Source: Thanachart compilation

Ex 10: Revenue Growth of Major Cloud Users



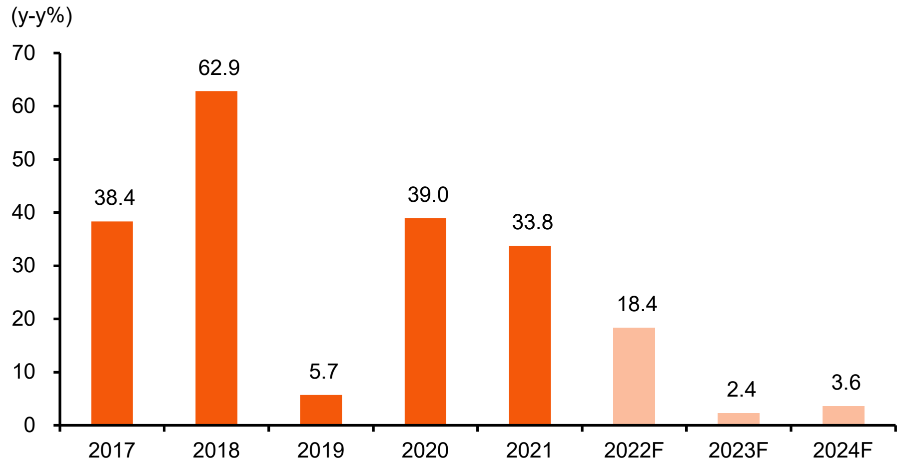
Sources: Company data; Thanachart compilation

Note: *Major cloud users include Meta (Facebook), Alphabet (Google), Amazon, Cisco, Snap, Twitter and Pinterest

Aside from the global reopening, the sharp hike in the Fed funds rate to combat rising inflation has negatively affected global spending power.

Second, we expect cloud capex to decelerate after the heavy investment period over the past three years as corporates will likely wait for machine utilization to catch up. Exhibit 11 shows the rising cloud capex by major global users during the COVID years while now the Bloomberg consensus expects this to slow down sharply.

Ex 11: Capex Spending By Major Cloud Users



Sources: Bloomberg, Thanachart compilation

Note: *Major cloud users include Meta (Facebook), Alphabet (Google), Amazon, Cisco, Snap, Twitter and Pinterest

** Estimated data is from the Bloomberg consensus

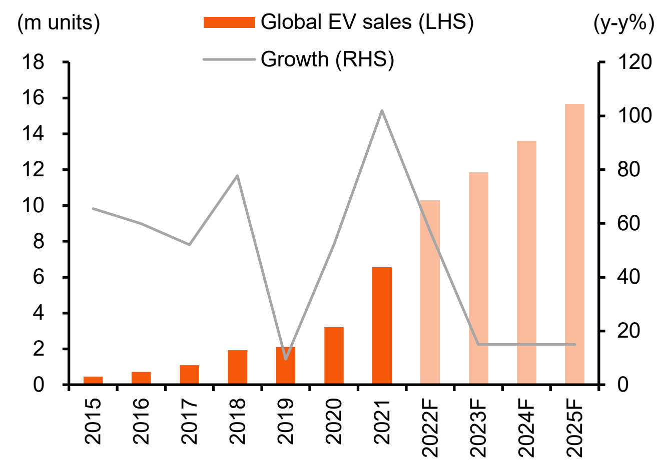
Strong EV sales

Very strong EV business

EV has been DELTA's S-curve business, growing from 10% of its total sales in 2019 to 18% in 2022F. EV grew by 57% p.a. during 2020-22F. DELTA is building a new EV factory with the first phase targeted to double its capacity by mid-2023. The company expects to ramp up utilization quickly as it foresees strong orders. We estimate EV sales to grow by 75/30% in 2023-24F and for it to turn profits of US$62/100m vs. a US$10m loss in 2022F.

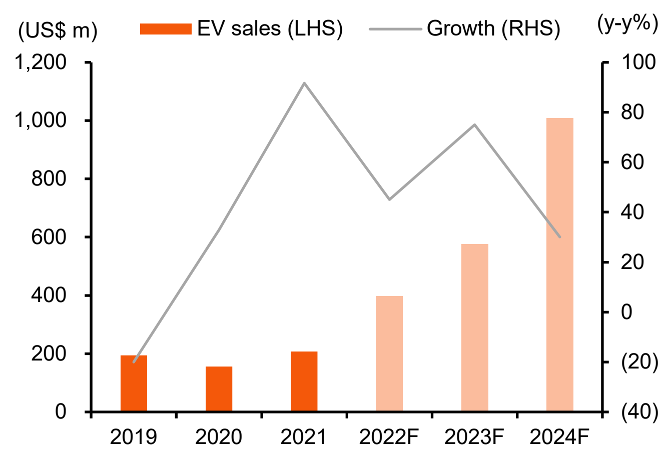
Our assumptions are based on an EV penetration rate of 40% in 2027F vs. 13% in 2022F, according to Delta group, DELTA's holding company.

Ex 12: Global EV Sales



Sources: Bloomberg, S&P Global Platts Analytics, Thanachart compilation

Ex 13: DELTA's Sale Of EV-related Products



Sources: Company data; Thanachart estimates

Ex 14: 12-month DCF-based Valuation, Using A Base Year Of 2023F

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal value
EBITDA	19,045	21,237	22,725	28,889	35,351	42,616	51,478	62,172	75,376	92,125	113,183	—
Free cash flow	19,315	19,696	19,191	23,695	31,349	38,067	48,538	58,760	71,432	87,530	107,911	1,259,803
PV of free cash flow	19,262	16,355	14,325	16,045	19,256	21,205	24,527	26,935	29,703	33,007	35,124	410,053

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.0
WACC (%)	9.7
Terminal growth (%)	2.0
Enterprise value - add investments	665,798
Net debt (2022F)	(5,507)
Minority interest	6
Equity value	671,299
# of shares (m)	1,247
Target price/share (Bt)	**538**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 15: 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 (%)
Schneider Electric SE	SU FP	France	15.8	6.6	22.7	20.4	3.1	2.9	14.5	13.9	2.1	2.3
Delta Electronics Inc	2308 TT	Taiwan	28.1	11.9	21.0	18.7	4.0	3.6	12.1	10.7	2.4	2.7
Vertiv Holdings	VRT US	US	(26.3)	95.9	26.1	13.3	4.1	3.6	15.7	10.3	0.0	0.0
Snap	SNAP US	US	(74.3)	39.2	74.9	54.0	5.6	5.0	44.9	24.9	0.0	0.0
Meta Platforms	META US	US	(22.7)	(3.6)	14.6	16.9	2.6	2.2	6.4	6.6	0.0	0.0
Alphabet	GOOGL US	US	(12.0)	12.7	19.1	17.5	4.6	4.0	10.0	9.2	0.0	0.0
Amazon.com	AMZN US	US	(64.6)	111.8	na	56.4	6.7	5.4	14.0	11.9	0.0	0.0
Pinterest	PINS US	US	(46.6)	8.6	44.7	41.2	5.6	5.0	38.2	30.2	0.0	0.0
Cisco Systems	CSCO US	US	5.5	7.9	13.9	12.9	4.6	4.0	9.8	9.3	3.1	3.2
Delta Electronics	DELTA TB*	Thailand	132.6	13.4	77.7	68.5	21.3	17.8	65.3	56.7	0.5	0.6
Hana Microelectronics	HANA TB*	Thailand	13.5	(5.2)	18.8	19.8	2.0	2.0	11.9	11.7	3.6	3.3
KCE Electronics	KCE TB*	Thailand	5.4	9.0	26.3	24.1	4.3	4.0	16.7	15.3	2.7	2.9
Average			**(3.8)**	**25.7**	**32.7**	**30.3**	**5.7**	**5.0**	**21.6**	**17.6**	**1.2**	**1.3**

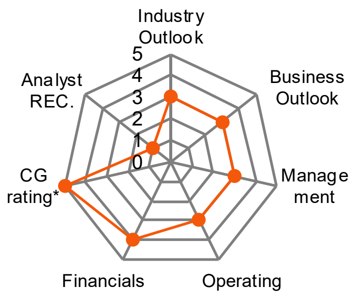
Source: Bloomberg
Note: *Thanachart estimates, using Thanachart normalized EPS
Based on 12-Jan-2023 closing prices

COMPANY DESCRIPTION

Delta Electronics (Thailand) Pcl designs and manufactures electronic equipment. The company makes power systems for datacenters, telecoms, medical equipment, industrial automation and cars. DELTA also produces fans, electromagnetic interference filters and solenoids. DELTA has manufacturing bases in three countries, Thailand, India and Slovakia, and has more than 12,000 employees worldwide. The company also has its own R&D facilities in Thailand, Germany, Switzerland, Romania, China and India. Delta Group is the world's largest power supply producer.

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

- Well-diversified groups of customers in each industry.
- Well-established company with a net cash position.
- Strong in-house R&D capabilities.

W — Weakness

- Regional business depends heavily on uncontrollable factors such as industry and economic conditions.
- DELTA's expertise is still limited to power supply systems.
- Interference and controlling power from parent company

O — Opportunity

- Growing economies of developing countries where DELTA has regional business exposure.
- M&A opportunities given DELTA's substantial cash on hand.
- Increasing popularity of electric cars would benefit DELTA's automotive business.

T — Threat

- Industry and political uncertainties in developing countries and markets (i.e. India, Brazil, ASEAN).
- Increasing competition from the public cloud segment.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	574.83	538.00	-6%
Net profit 22F (Bt m)	14,447	14,129	-2%
Net profit 23F (Bt m)	16,543	16,023	-3%
Consensus REC	**BUY: 1**	**HOLD: 4**	**SELL: 9**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F earnings and TP are slightly lower than the Bloomberg consensus numbers, which we attribute to us having a more conservative view on the growth path of the global electronics industry.

Sources: Bloomberg consensus, Thanachart estimates

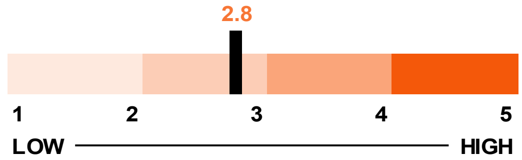
RISKS TO OUR INVESTMENT CASE

- Faster-than-expected adoption of electric vehicles and 5G technology globally represents an upside risk to our earnings forecasts.
- Larger-than-expected currency fluctuations present a risk to our numbers.
- DELTA's future growth is highly dependent on the success of product developments and their time to market, thus presenting a risk to our medium- to long-term projections.

Source: Thanachart

DELTA is among the world's largest manufacturers of power supply and power management products. Its factories release some greenhouse gases and it has a long-term goal to reduce such emissions. However, our ESG score for DELTA is 2.8, which is moderate as its overall ESG implementation plans are not yet clear.

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)
DELTA	YES	YES	YES	AA	66.54	91.33	74.22	-	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**	▪ DELTA is a global manufacturer of power-supply and power-management products with seven factories in operation. Its factories release certain amounts of greenhouse gas (GHC) and other pollutants. DELTA has a long-term target for its emissions. Against its base year in 2020, DELTA plans to reduce GHG emissions by 35% in 2025. To achieve this, its plans to increase so-called green revenues by 30% by that year. However, the company has yet to provide clear implementation plans to achieve the goals. ▪ DELTA newly built factory has begun to be more environmentally focused, e.g., it has reduced water usage by 45% vs. the level at existing factories. ▪ DELTA has received some awards in ESG areas, e.g., the Bronze Class Sustainability Award 2022 by S&P Global.
SOCIAL – **Human Rights** – **Staff Management** – **Health & Safety** – **Product Safety & Quality** – **Social Responsibility**	▪ DELTA provides various employee development programs, e.g., sending workers to train at factories abroad. DELTA also occasionally gets its senior management to provide their knowledge and insights to younger employees. ▪ The company also recognizes employees' loyalty by providing awards to those who have worked at DELTA for many years. ▪ DELTA has been active in providing support, such as donations and other help, for those in need. Recently, the company provided more than 50 tonnes of used carbon box material, including field hospital beds for COVID victims.
GOVERNANCE & SUSTAINABILITY – **Board** – **Ethics & Transparency** – **Business Sustainability** – **Risk Management** – **Innovation**	▪ DELTA has a nine-member board of directors (BOD), which is similar to other businesses of a similar scale. Of the nine members, four are independent directors. There is one female board member. ▪ DELTA has highly diversified end-products of EV and non-EV cars, cloud-related products, telecom infrastructure and various industrial and consumer-based electronic products. ▪ DELTA has been active in developing automation to reduce its workforce.

Sources: Company data, Thanachart

We expect sales growth to slow down in 2023F after three strong years…

…and profit growth

Strong balance sheet position

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	63,208	84,318	117,293	129,981	141,091
Cost of sales	48,089	66,960	90,315	99,537	107,660
Gross profit	**15,119**	**17,358**	**26,978**	**30,445**	**33,431**
% gross margin	23.9%	20.6%	23.0%	23.4%	23.7%
Selling & administration expenses	8,762	11,435	13,139	14,729	15,948
Operating profit	**6,356**	**5,923**	**13,839**	**15,716**	**17,483**
% operating margin	10.1%	7.0%	11.8%	12.1%	12.4%
Depreciation & amortization	2,206	2,508	2,890	3,329	3,754
EBITDA	**8,563**	**8,431**	**16,729**	**19,045**	**21,237**
% EBITDA margin	13.5%	10.0%	14.3%	14.7%	15.1%
Non-operating income	619	496	594	646	725
Non-operating expenses	(68)	(239)	(50)	(50)	(50)
Interest expense	(1)	(4)	(21)	(24)	(26)
Pre-tax profit	**6,906**	**6,177**	**14,362**	**16,288**	**18,132**
Income tax	208	98	227	258	287
After-tax profit	**6,698**	**6,079**	**14,135**	**16,030**	**17,845**
% net margin	10.6%	7.2%	12.1%	12.3%	12.6%
Shares in affiliates' Earnings	61	0	0	0	0
Minority interests	50	(4)	(6)	(7)	(7)
Extraordinary items	293	624	0	0	0
NET PROFIT	**7,102**	**6,699**	**14,129**	**16,023**	**17,838**
Normalized profit	**6,809**	**6,075**	**14,129**	**16,023**	**17,838**
EPS (Bt)	5.6	5.3	11.2	12.7	14.2
Normalized EPS (Bt)	5.4	4.8	11.2	12.7	14.2

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	42,452	48,764	67,820	79,094	92,912
Cash & cash equivalent	14,236	6,604	10,000	23,000	37,000
Account receivables	13,997	20,593	28,647	28,489	28,991
Inventories	12,655	19,581	26,410	24,543	23,597
Others	1,563	1,986	2,763	3,062	3,324
Investments & loans	0	0	0	0	0
Net fixed assets	12,724	18,583	20,994	22,765	23,960
Other assets	2,043	1,991	1,991	1,953	1,953
Total assets	**57,218**	**69,338**	**90,806**	**103,813**	**118,826**
LIABILITIES:					
Current liabilities:	17,170	24,736	34,249	37,077	40,566
Account payables	16,181	22,049	29,740	32,777	35,452
Bank overdraft & ST loans	76	1,692	2,919	2,655	3,299
Current LT debt	0	0	0	0	0
Others current liabilities	913	994	1,591	1,645	1,815
Total LT debt	**421**	**913**	**1,574**	**1,432**	**1,779**
Others LT liabilities	2,020	2,286	3,328	3,650	3,932
Total liabilities	**19,611**	**27,934**	**39,151**	**42,159**	**46,277**
Minority interest	(4)	0	6	13	20
Preferreds shares	0	0	0	0	0
Paid-up capital	1,247	1,247	1,259	1,259	1,259
Share premium	1,492	1,492	1,492	1,492	1,492
Warrants	0	0	0	0	0
Surplus	(4,470)	(3,237)	(3,237)	(3,237)	(3,237)
Retained earnings	**39,342**	**41,902**	**52,135**	**62,128**	**73,015**
Shareholders' equity	37,612	41,404	51,649	61,641	72,529
Liabilities & equity	**57,218**	**69,338**	**90,806**	**103,813**	**118,826**

Sources: Company data, Thanachart estimates

Capex needed for expansion but cashflow position still strong

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	6,906	6,177	14,362	16,288	18,132
Tax paid	(70)	(162)	(90)	(278)	(240)
Depreciation & amortization	2,206	2,508	2,890	3,329	3,754
Chg In w orking capital	(1,878)	(7,653)	(7,193)	5,062	3,119
Chg In other CA & CL / minorities	10	(274)	(318)	(224)	(139)
Cash flow from operations	**7,175**	**595**	**9,651**	**24,177**	**24,627**
Capex	(3,391)	(8,227)	(5,301)	(5,100)	(4,950)
Right of use	(179)	(153)	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	464	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(67)	(67)	1,042	360	282
Cash flow from investments	**(3,172)**	**(8,447)**	**(4,259)**	**(4,740)**	**(4,668)**
Debt financing	404	3,126	1,888	(406)	992
Capital increase	0	0	12	0	0
Dividends paid	(2,245)	(4,116)	(3,896)	(6,030)	(6,951)
Warrants & other surplus	(431)	1,210	0	0	0
Cash flow from financing	**(2,272)**	**219**	**(1,996)**	**(6,436)**	**(5,959)**
Free cash flow	**3,785**	**(7,632)**	**4,350**	**19,077**	**19,677**

Expensive PE, in our view

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	161.2	180.7	77.7	68.5	61.5
Normalized PE - at target price (x)	99.5	111.5	47.9	42.3	38.0
PE (x)	154.6	163.9	77.7	68.5	61.5
PE - at target price (x)	95.4	101.1	47.9	42.3	38.0
EV/EBITDA (x)	126.6	129.7	65.3	56.7	50.2
EV/EBITDA - at target price (x)	77.5	79.9	40.2	34.6	30.4
P/BV (x)	29.2	26.5	21.3	17.8	15.1
P/BV - at target price (x)	18.0	16.4	13.1	11.0	9.3
P/CFO (x)	153.0	1,843.9	113.8	45.4	44.6
Price/sales (x)	17.2	12.9	9.3	8.4	7.7
Dividend yield (%)	0.4	0.2	0.5	0.6	0.7
FCF Yield (%)	0.3	(0.7)	0.4	1.7	1.8
(Bt)					
Normalized EPS	5.4	4.8	11.2	12.7	14.2
EPS	5.6	5.3	11.2	12.7	14.2
DPS	3.3	1.7	4.5	5.1	6.0
BV/share	29.9	32.9	41.0	49.0	57.6
CFO/share	5.7	0.5	7.7	19.2	19.6
FCF/share	3.0	(6.1)	3.5	15.2	15.6

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	21.4	33.4	39.1	10.8	8.5
Net profit (%)	139.9	(5.7)	110.9	13.4	11.3
EPS (%)	139.9	(5.7)	110.9	13.4	11.3
Normalized profit (%)	126.2	(10.8)	132.6	13.4	11.3
Normalized EPS (%)	126.2	(10.8)	132.6	13.4	11.3
Dividend payout ratio (%)	58.0	31.9	40.0	40.0	42.0
Operating performance					
Gross margin (%)	23.9	20.6	23.0	23.4	23.7
Operating margin (%)	10.1	7.0	11.8	12.1	12.4
EBITDA margin (%)	13.5	10.0	14.3	14.7	15.1
Net margin (%)	10.6	7.2	12.1	12.3	12.6
D/E (incl. minor) (x)	0.0	0.1	0.1	0.1	0.1
Net D/E (incl. minor) (x)	(0.4)	(0.1)	(0.1)	(0.3)	(0.4)
Interest coverage - EBIT (x)	na	na	na	na	na
Interest coverage - EBITDA (x)	na	na	na	na	na
ROA - using norm profit (%)	13.2	9.6	17.6	16.5	16.0
ROE - using norm profit (%)	19.2	15.4	30.4	28.3	26.6
DuPont					
ROE - using after tax profit (%)	18.9	15.4	30.4	28.3	26.6
- asset turnover (x)	1.2	1.3	1.5	1.3	1.3
- operating margin (%)	10.9	7.3	12.3	12.5	12.9
- leverage (x)	1.5	1.6	1.7	1.7	1.7
- interest burden (%)	100.0	99.9	99.9	99.9	99.9
- tax burden (%)	97.0	98.4	98.4	98.4	98.4
WACC (%)	9.7	9.7	9.7	9.7	9.7
ROIC (%)	29.1	24.4	36.4	33.5	40.3
NOPAT (Bt m)	6,165	5,829	13,620	15,467	17,206
invested capital (Bt m)	23,872	37,405	46,141	42,728	40,607

Sources: Company data, Thanachart estimates

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Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 57 Derivative Warrants which are ADVANC16C2301A, ADVANC16C2302A, AOT16C2305A, AOT16C2302A, BANPU16C2303A, BANPU16C2302A, BBL16C2305A, BGRIM16C2301A, BGRIM16C2302A, BH16C2304A, BH16C2303A, BLA16C2302A, BTS16C2301A, CBG16C2301A, CBG16C2301B, CBG16C2302A, COM716C2302A, CPN16C2303A, CPN16C2301A, CRC16C2303A, DOHOME16C2301A, DOHOME16C2303A, EA16C2303A, ESSO16C2303A, ESSO16C2302A, GPSC16C2301A, GPSC16C2302A, GULF16C2301A, GULF16C2302A, GULF16C2302B, GUNKUL16C2301A, GUNKUL16C2302A, HANA16C2301A, HANA16C2303A, IVL16C2301A, JMART16C2303A, JMT16C2302A, KBANK16C2304A, KBANK16C2301A, KBANK16C2302A, KCE16C2303A, KCE16C2301A, KCE16C2301B, KCE16C2302A, KTB16C2303A, MINT16C2301A, MINT16C2302A, MTC16C2301A, PTTEP16C2303A, RCL16C2303A, SAWAD16C2302A, SCB16C2301A, SCGP16C2303A, SET5016P2303B, SET5016P2303A, SET5016C2303A, VGI16C2301A (underlying securities are (ADVANC, AOT, BANPU, BBL, BGRIM, BH, BLA, BTS, CBG, COM7, CPN, CRC, DOHOME, EA, ESSO, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTB, MINT, MTC, PTTEP, RCL. SAWAD, SCB, SCGP, SET50, VGI). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% 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.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.33% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)

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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