

**BUY** (Unchanged)**TP: Bt 14.00**

(From: Bt 13.00)

Change in Numbers

Upside : 27.3%

13 JANUARY 2023

# MC GROUP Pcl (MC TB)

## Ready for the next moves

After its recovery phase, this year MC is scaling up store expansion and introducing non-denim and non-apparel products. With earnings surpassing pre-COVID level this year and a new growth cycle with a 23% three-year EPS CAGR, we reaffirm BUY with a new Bt14 TP.

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### BUY with a new, higher Bt14 TP

We raise our earnings estimates for MC by 7% p.a. in FY23-34F to reflect our new store assumptions of 60/40/40 in FY23-25F, up from 36/10/5 stores previously. This is along with its medium-term plan to expand the number of Mc Outlets at PTT gas stations to 200 branches, which we expect by FY26F. Our DCF-based 12-month TP (2023F base year) is raised by 8% to Bt14 (from Bt13). We reaffirm our BUY call on MC as an inexpensive retail stock trading at 0.51x FY23-24F PEG with a strong 23% EPS CAGR in FY23-25F and high dividend yields of 6.8/8.6% in FY23-24F.

### A new plan for Mc Outlets

A year since their launch, Mc Outlets have been successful, bringing sales/store up by 2-3x vs. the old-format mcmc shops. As of 2QFY23F (ending December 2022), we expect 92 Mc Outlets, or 14% of total points of sale, divided into 36 new stores and the other 56 converted from mcmc shops. The new plan is to ramp up Mc Outlet expansion to reach an initial target of 200 branches, or 10% of total PTT gas stations nationwide. Next is to enlarge the size of those being converted from mcmc shops (40 sqm) to 70-80 sqm, the same as the size of new Mc Outlet stores, and we leave this as future upside. Including stores in other modern-trade channels, MC has revised up its new store target for FY23 to 70-80 vs. the net opening of nine stores in FY20-22.

### Expanding into non-denim products

Despite being an apparel retailer with 45% of sales coming from jeans, MC's same-store sales (SSS) have recovered back to pre-COVID level for the past three quarters, backed by the conversion completion of mcmc stores to Mc Outlets in June 2022 and a series of new product launches, mostly non-denim goods. It introduced new collections of MC Biker products in September last year, MC Camping in November last year, and MC Graffiti Play this month (11 January). This has expanded its customer base to new target groups and to younger generations.

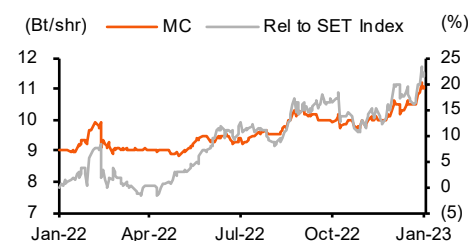
### A 23% three-year EPS CAGR

Bolstered by its swift sales recovery to the pre-COVID level, more aggressive store expansion than before starting from this year, mainly the low-occupancy cost MC Outlet stores, and product diversification into non-denim and non-apparel goods with higher gross margins, we estimate MC's net profit to surpass pre-COVID FY19's profit level in this year to reach Bt620m with a 23% EPS CAGR in FY23-25F. With no interest-bearing debt, this supports a normal payout of nearly 100%. MC pays a dividend twice a year and we project a 1HFY23F DPS of Bt0.45/share (XD in late February with payment in early March). For MC's full-year DPS, we expect Bt0.75/0.95/1.10 for FY23-25F, or dividend yields of 6.8-10.0%.

### COMPANY VALUATION

Y/E Jun (Bt m)	2022A	2023F	2024F	2025F
Sales	2,923	3,614	4,182	4,758
Net profit	486	620	760	894
Consensus NP	—	587	677	759
Diff frm cons (%)	—	5.6	12.3	17.9
Norm profit	486	620	760	894
Prev. Norm profit	—	619	746	856
Chg frm prev (%)	—	0.1	1.8	4.5
Norm EPS (Bt)	0.6	0.8	1.0	1.1
Norm EPS grw (%)	9.0	27.6	22.6	17.7
Norm PE (x)	17.9	14.1	11.5	9.7
EV/EBITDA (x)	7.0	6.0	5.8	5.2
P/BV (x)	2.4	2.3	2.3	2.2
Div yield (%)	5.5	6.8	8.6	10.0
ROE (%)	13.4	16.7	20.0	23.1
Net D/E (%)	(54.3)	(50.7)	(51.2)	(49.4)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 13-Jan-23 (Bt)	11.00
Market Cap (US\$ m)	264.3
Listed Shares (m shares)	792.0
Free Float (%)	43.2
Avg Daily Turnover (US\$ m)	0.2
12M Price H/L (Bt)	11.20/8.80
Sector	Commerce
Major Shareholder	Miss Sunee Seripanu 43.56%

Sources: Bloomberg, Company data, Thanachart estimates



## Still a BUY; TP lifted by 8%

### We raise our TP to Bt14

As MC Group Plc's new store format, Mc Outlet, which was launched a year ago, has proven successful, the company has set a medium-term target to open Mc Outlets at 10% of total PTT gas stations, or 200 branches. So far this year, we expect the company to have opened 20 new branches in 1HFY23F (July-December 2022), giving a total of 667 branches as of December last year. Since it has secured 50 new points of sale (30 are Mc Outlets) for launch in FY23F, it plans to open up to 70-80 branches in FY23. We, therefore, lift our new store assumptions to 60/40/40 in FY23-25F from 36/10/5 stores previously. We raise our earnings estimates for MC by 7% p.a. in FY23-34F, while our DCF-based 12-month TP (2023F base year) is boosted by 8% to Bt14 (from Bt13 previously).

### Ex 1: Key Assumption Changes

	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F
<b>SSSG (%) - Unchanged</b>												
- New	27	5	5	3	3	3	3	3	3	3	3	3
- Old	27	5	5	3	3	3	3	3	3	3	3	3
<b>New stores</b>												
- New	60	40	40	8	5	5	5	5	5	5	5	5
- Old	36	10	5	5	5	5	5	5	5	5	5	5
<b>Total stores (YE)</b>	<b>707</b>	<b>747</b>	<b>787</b>	<b>795</b>	<b>800</b>	<b>805</b>	<b>810</b>	<b>815</b>	<b>820</b>	<b>825</b>	<b>830</b>	<b>835</b>
- MC Outlets	112	152	192	200	205	210	215	220	225	230	235	240
- Other stores	595	595	595	595	595	595	595	595	595	595	595	595
<b>SG&amp;A/sales (%)</b>												
- New	43.0	42.3	42.0	41.0	40.4	39.3	38.8	37.8	36.8	36.4	36.1	35.9
- Old	43.0	42.3	41.3	40.4	39.8	38.7	38.1	37.1	36.1	35.7	35.4	35.2
<b>Norm profit (Bt m)</b>												
- New	620	760	894	1,039	1,136	1,254	1,354	1,483	1,618	1,731	1,846	1,961
- Old	619	746	856	949	1,037	1,147	1,240	1,358	1,481	1,585	1,690	1,797
<b>Change (%)</b>	<b>0.1</b>	<b>1.8</b>	<b>4.5</b>	<b>9.5</b>	<b>9.5</b>	<b>9.3</b>	<b>9.2</b>	<b>9.2</b>	<b>9.2</b>	<b>9.2</b>	<b>9.3</b>	<b>9.1</b>

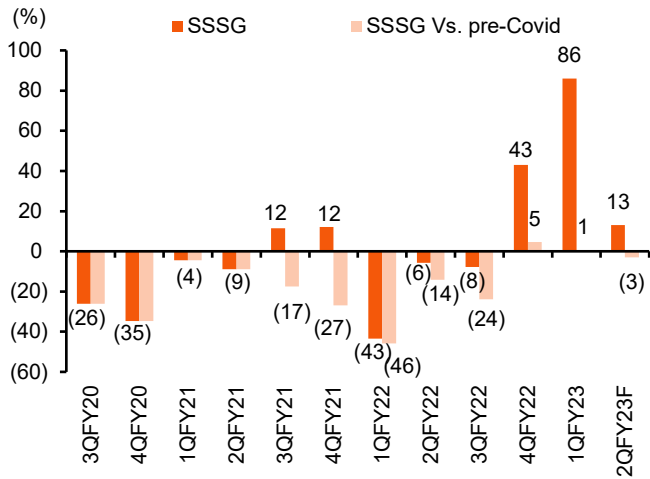
Source: Thanachart estimates

We reaffirm our BUY rating on MC for the following reasons:

### Swift recovery with FY23F profit exceeding FY19's level by 19%

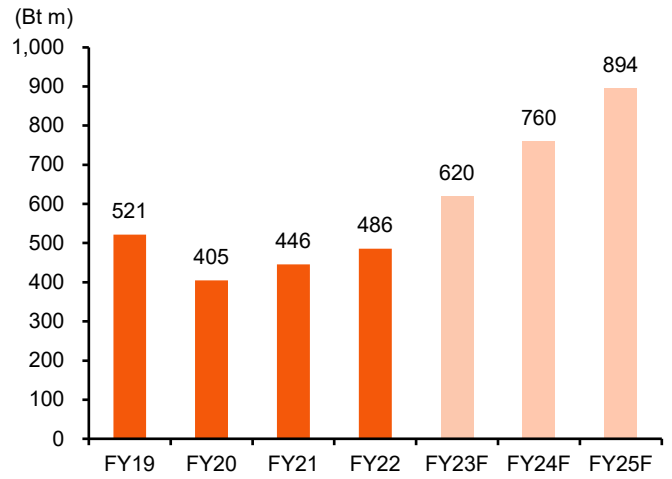
**First, we expect profit to be well above FY19 pre-COVID level in FY23F.** Despite being an apparel retailer with 45% of sales coming from jeans, MC's same-store sales (SSS) have recovered back to pre-COVID level for the past three quarters in 4QFY22-2QFY23F (April-December 2022). Apart from improving consumption post-COVID and the tourism recovery, the swift business turnaround has been backed by internal factors; the completion of the conversion of mcmc shops into Mc Outlets by June 2022 (resulting in 2-3x higher sales/store vs. old mcmc shops) and a series of new product launches, mostly non-denim goods. After the country's full reopening in the middle of last year, the company introduced new collections of products for MC Biker in September, MC Camping in November, and MC Graffiti Play launched this month (11 January). This has expanded its customer base to new target groups and the younger generations while generating more sales at its stores. Another key driver for this year is its branch-expansion plan, with MC back in aggressive mode. We assume 60 new branches (40 Mc Outlets and 20 new stores in modern-trade channels, i.e., hypermarkets) in FY23F vs. the net opening of nine stores in FY20-22.

**Ex 2: SSSG**



Sources: Company data, Thanachart estimates

**Ex 3: Profit Surpassing Pre-COVID Level In FY23F**



Sources: Company data, Thanachart estimates

**Ex 4: MC Biker**

**MARKETING UPDATE**

Upcoming Marketing Activities – MC BIKER

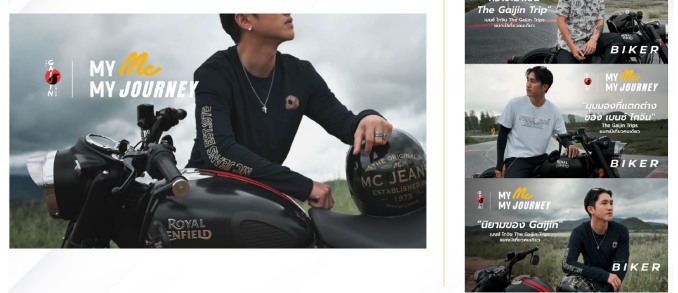


Source: Company data

**Ex 5: MC Biker**

**MARKETING UPDATE**

Upcoming Marketing Activities – MC BIKER

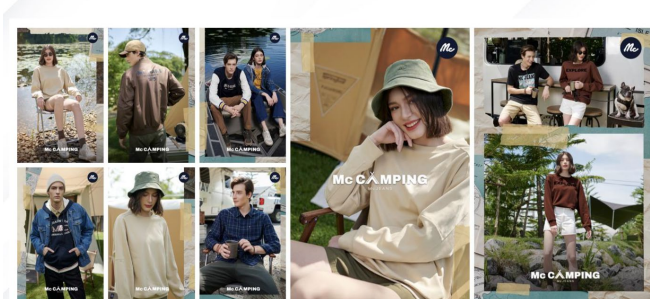


Source: Company data

**Ex 6: MC Camping**

**MARKETING UPDATE**

Upcoming Marketing Activities – MC CAMPING



Source: Company data

**Ex 7: MC Camping**

**MARKETING UPDATE**

Upcoming Marketing Activities – MC CAMPING



Source: Company data

Ex 8: MC Play

MARKETING UPDATE

Upcoming Marketing Activities – MC PLAY “GRAFFITI”



Source: Company data

Ex 9: MC Play



Source: Company data

A new growth cycle with a strong 23% three-year EPS CAGR

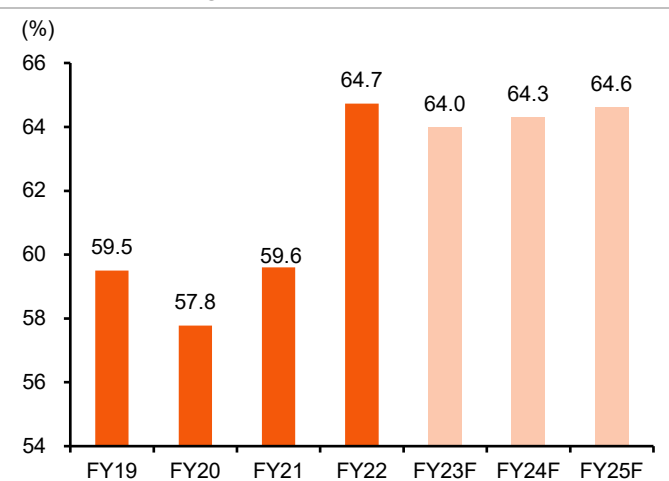
Second, we estimate a strong 23% three-year EPS CAGR in FY23-25F. Bolstered by a swift sales recovery to pre-COVID level, more aggressive store expansion than before starting from this year (we project 60/40/40 new branches in FY23-25F), mainly the low-occupancy cost MC Outlet stores, and product diversification into non-denim and non-apparel goods with higher gross margins, we estimate a strong 23% EPS CAGR in FY23-25F. We expect net margin to rise from 16.6% in FY22 to 18.8% in FY25F.

Ex 10: Points Of Sale

Points of sale	FY19	FY20	FY21	FY22	FY23F	FY24F	FY25F
Free-standing shops	312	334	334	350	390	430	470
Modern trade	306	305	287	282	302	302	302
Mobile units	6	6	6	6	6	6	6
<b>Total domestic</b>	<b>624</b>	<b>645</b>	<b>627</b>	<b>638</b>	<b>698</b>	<b>738</b>	<b>778</b>
International	14	12	9	9	9	9	9
<b>Total</b>	<b>638</b>	<b>657</b>	<b>636</b>	<b>647</b>	<b>707</b>	<b>747</b>	<b>787</b>

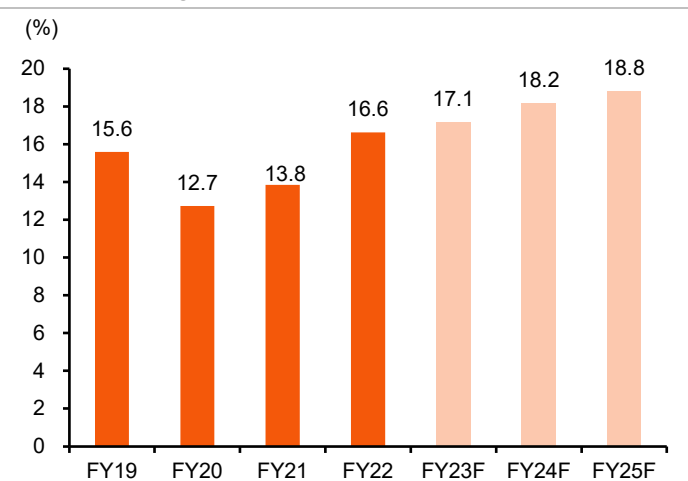
Sources: Company data, Thanachart estimates

Ex 11: Gross Margin



Sources: Company data, Thanachart estimates

Ex 12: Net Margin

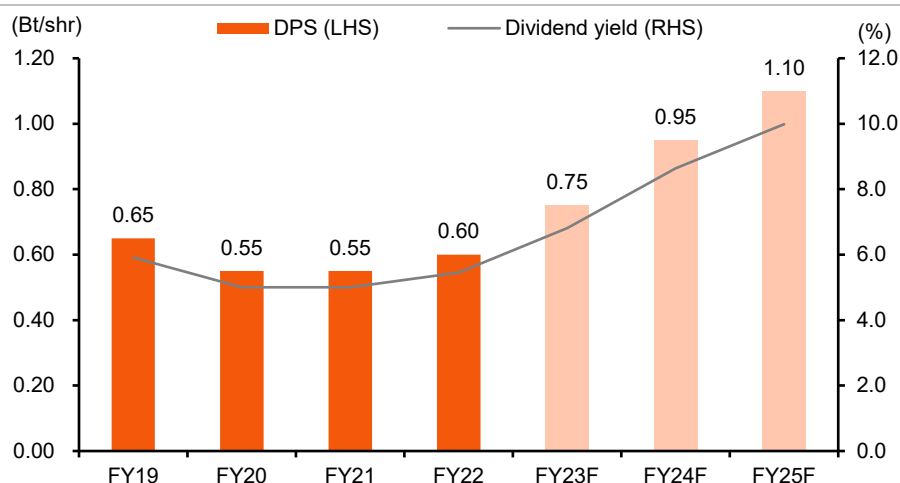


Sources: Company data, Thanachart estimates

**An inexpensive retail stock  
with high dividend yields**

**Third, an inexpensive retail stocks with high yields.** Given MC's high growth prospects, it is trading at 0.51x PEG in both FY23-24F. It pays a dividend twice a year and we estimate its 1HFY23F DPS (for its July-December 2022 performance) of Bt0.45/share (XD in late February with payment in early March). For its full-year DPS, we expect Bt0.75/0.95/1.10 for FY23-25F, or 6.8-10.0% dividend yields.

**Ex 13: High Dividend Yields**



Sources: Company data, Thanachart estimates

**Ex 14: 12-month DCF-based TP Calculation Using A Base Year Of FY23F**

(Bt m)	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	Terminal value
EBITDA	834	1,023	1,182	1,358	1,474	1,622	1,742	1,902	2,072	2,226	2,390	0
Free cash flow	529	778	833	1,038	1,136	1,260	1,354	1,482	1,509	1,385	1,471	13,732
PV of free cash flow	527	610	578	638	618	591	559	540	485	392	367	2,864
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.3											
WACC (%)	12.9											
Terminal growth (%)	2.0											
Enterprise value	9,104											
Net debt (end-FY22)	(1,995)											
Minority interest	10											
Equity value	11,090											
# of shares (m)	792											
<b>Equity value / share (Bt)</b>	<b>14.00</b>											

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 15: Valuation 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
Marks & Spencer	MKS LN	Britain	na	(26.7)	6.3	8.6	1.1	0.9	4.7	5.4	0.6	3.5
J Sainsbury PLC	SBRY LN	Britain	109.1	(6.1)	9.6	10.3	0.7	0.6	4.9	5.0	5.5	5.9
Tesco	TSCO LN	Britain	110.8	(2.8)	10.5	10.8	1.3	1.1	6.4	6.8	4.8	4.7
Carrefour SA	CA FP	France	7.3	13.5	11.0	9.7	1.2	1.1	6.6	6.2	3.5	3.9
Casino Guichard	CO FP	France	(90.1)	na	85.1	12.4	0.5	0.5	7.1	6.5	0.0	0.0
L'Oreal SA	OR FP	France	25.9	6.3	33.7	31.7	7.6	6.9	22.3	20.9	1.5	1.6
Alimentation Couche	ATD/B CN	Canada	7.9	14.4	na	na	na	na	10.2	9.8	na	na
Aeon	8267 JP	Japan	148.7	158.7	na	72.9	2.3	2.3	9.7	8.9	1.4	1.4
Kao Corporation	4452 JP	Japan	(15.2)	14.0	23.2	20.3	2.4	2.3	11.3	10.0	3.0	3.0
Lion Corporation	4912 JP	Japan	(6.2)	(7.7)	19.9	21.5	1.5	1.4	8.0	7.9	1.8	1.9
Shiseido Co. Ltd	4911 JP	Japan	(8.3)	85.3	77.6	41.9	4.6	4.3	24.9	17.8	1.5	1.0
Lawson	2651 JP	Japan	105.8	22.1	27.8	22.8	1.9	1.8	3.8	3.6	2.9	2.9
Seven & I Holdings	3382 JP	Japan	36.3	25.5	25.2	20.1	1.9	1.7	11.1	8.8	1.6	1.7
Lotte Corp	004990 KS	South Korea	21.6	11.4	8.9	8.0	0.4	0.4	9.5	9.2	4.6	5.0
Shinsegae	004170 KS	South Korea	21.5	9.9	6.4	5.8	0.6	0.5	5.8	5.6	1.3	1.4
Amore Pacific Group	002790 KS	South Korea	(54.2)	56.5	31.2	19.9	1.0	1.0	7.1	6.6	1.0	1.2
Best Buy Co Inc	BBY US	USA	(34.3)	2.9	13.1	12.8	6.7	7.4	6.9	6.7	4.0	4.1
Wal-Mart Stores	WMT US	USA	(5.2)	8.4	23.8	21.9	5.0	4.5	12.6	11.8	1.6	1.6
Home Depot Inc	HD US	USA	7.3	1.6	19.8	19.5	na	na	14.0	14.0	2.3	2.5
Yonghui Superstores	601933 CH	China	96.7	na	na	42.6	3.0	2.9	20.7	14.9	0.6	1.2
Sa International	178 HK	Hong Kong	21.8	36.7	na	na	5.2	na	na	na	0.0	na
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	(75.5)	na	na	20.9	3.6	3.2	11.8	9.9	1.4	3.7
President Chain Store	2912 TT	Taiwan	10.3	17.6	28.5	24.3	7.9	7.4	11.0	10.9	3.2	3.5
7-Eleven Malaysia	SEM MK	Malaysia	188.9	3.8	24.4	23.5	17.3	13.6	7.6	8.2	2.5	2.5
Berli Jucker *	BJC TB	Thailand	49.1	6.9	28.5	26.7	1.2	1.2	14.0	13.4	2.6	2.8
COM7 *	COM7 TB	Thailand	21.0	19.3	25.7	21.5	10.9	9.1	17.4	14.7	1.8	3.8
CP All *	CPALL TB	Thailand	59.0	60.3	50.0	31.2	5.5	5.0	13.7	11.6	1.0	1.6
Central Pattana *	CPN TB	Thailand	152.2	30.4	36.6	28.1	3.9	3.5	20.9	17.3	1.3	1.6
Central Retail Corp. *	CRC TB	Thailand	10,199.2	48.5	43.9	29.6	4.4	4.0	11.9	10.3	0.9	1.4
Siam Global House *	GLOBAL TB	Thailand	13.4	12.9	26.3	23.3	4.5	4.0	20.8	18.6	1.5	1.7
Home Product*	HMPRO TB	Thailand	14.0	17.7	32.6	27.7	8.6	7.9	18.3	16.0	2.5	2.9
Siam Makro *	MAKRO TB	Thailand	(34.0)	46.8	55.5	37.8	1.5	1.5	17.7	15.3	1.4	2.0
Mc Group *	MC TB**	Thailand	27.6	22.6	14.1	11.5	2.3	2.3	6.0	5.8	6.8	8.6
<b>Average</b>			<b>30.1</b>	<b>23.7</b>	<b>28.5</b>	<b>23.2</b>	<b>3.9</b>	<b>3.5</b>	<b>11.8</b>	<b>10.6</b>	<b>2.2</b>	<b>2.7</b>

Sources: Bloomberg, Thanachart estimates

Note: \* Thanachart estimates using normalized EPS growth, \*\* MC's fiscal year ends in June. The figures shown in the table are for FY23F and FY24F

Based on 13 January 2023 closing price

## COMPANY DESCRIPTION

MC GROUP PCL (MC) started its jeans business in Thailand under its own "Mc" brand in 1975. Over the years, MC has developed a wide range of products under the Mc, Mc Lady, the Blue Brothers premium jeanswear, Mc mini kidswear and U-P activewear brands, and it distributes them primarily via free-standing shops and modern-trade outlets nationwide. It has also established an e-commerce platform, which has become a key earnings growth driver.

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

- Management has lots of experience in the jeans market in Thailand.
- It has the strong "Mc" brand with its own product designs.
- Good coverage of distribution channels nationwide.
- MC's product quality is high, with reasonable prices.
- With its large market share and in-house production, MC is very cost-competitive.

### O — Opportunity

- Eyeing fast-growing ASEAN markets.
- Penetrating lifestyle markets.
- Expansion of product lines and customer groups.
- Some small apparel manufacturers have exited the market.

### W — Weakness

- MC has high stock and inventory days, but they are on a declining trend.
- High operating expenses, mainly personnel and rental costs, make up over 70% of total SG&A.

### T — Threat

- Competition from peers in the jeans market, including Levi's, Wrangler, Lee, and other brands.
- Competition from international brands such as H&M, UNIQLO, and ZARA is rising.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	11.97	14.00	17%
<b>Net profit 23F (Bt m)</b>	587	620	6%
<b>Net profit 24F (Bt m)</b>	677	760	12%
<b>Consensus REC</b>	<b>BUY: 4</b>	<b>HOLD: 0</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our FY23-24F net profits are 6-12% above consensus, which we attribute to us having higher new store and net margin assumptions, driven by the success of the Mc Outlet format.
- Our DCF-based TP is 17% above the Street on our higher number of new stores over the long term.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- If growth in people's spending were to fall below our current expectations, this would be the key downside risk to our SSS growth assumptions.
- If MC's omnichannel and new format Mc Outlet are not as successful as planned, this would hurt the company's earnings-growth prospects.
- Increased competition from existing and new rivals in the jeans and apparel markets would pressure MC's sales volumes and prices.

Source: Thanachart



## INCOME STATEMENT

FY ending Jun (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	3,220	2,923	3,614	4,182	4,758
Cost of sales	1,301	1,031	1,301	1,493	1,684
<b>Gross profit</b>	<b>1,919</b>	<b>1,892</b>	<b>2,313</b>	<b>2,689</b>	<b>3,074</b>
% gross margin	59.6%	64.7%	64.0%	64.3%	64.6%
Selling & administration expenses	1,401	1,306	1,556	1,769	1,997
<b>Operating profit</b>	<b>518</b>	<b>586</b>	<b>757</b>	<b>921</b>	<b>1,077</b>
% operating margin	16.1%	20.0%	21.0%	22.0%	22.6%
Depreciation & amortization	400	378	372	250	224
<b>EBITDA</b>	<b>918</b>	<b>964</b>	<b>1,129</b>	<b>1,170</b>	<b>1,301</b>
% EBITDA margin	28.5%	33.0%	31.2%	28.0%	27.3%
Non-operating income	29	26	37	44	52
Non-operating expenses	0	0	0	0	0
Interest expense	(28)	(20)	(19)	(15)	(11)
<b>Pre-tax profit</b>	<b>519</b>	<b>592</b>	<b>775</b>	<b>950</b>	<b>1,118</b>
Income tax	78	107	155	190	224
<b>After-tax profit</b>	<b>441</b>	<b>485</b>	<b>620</b>	<b>760</b>	<b>894</b>
% net margin	13.7%	16.6%	17.1%	18.2%	18.8%
Shares in affiliates' Earnings	5	(1)	0	0	0
Minority interests	(0)	1	0	0	0
Extraordinary items	0	0	0	0	0
<b>NET PROFIT</b>	<b>446</b>	<b>486</b>	<b>620</b>	<b>760</b>	<b>894</b>
<b>Normalized profit</b>	<b>446</b>	<b>486</b>	<b>620</b>	<b>760</b>	<b>894</b>
EPS (Bt)	0.6	0.6	0.8	1.0	1.1
Normalized EPS (Bt)	0.6	0.6	0.8	1.0	1.1

An 18% sales CAGR in FY23-25F from more store expansion

A 23% EPS CAGR in FY23-25F

## BALANCE SHEET

FY ending Jun (Bt m)	2021A	2022A	2023F	2024F	2025F
<b>ASSETS:</b>					
Current assets:	3,324	3,406	3,319	3,410	3,474
Cash & cash equivalent	1,864	1,995	1,906	1,970	1,939
Account receivables	202	203	248	286	326
Inventories	1,250	1,200	1,159	1,145	1,200
Others	7	7	7	8	9
Investments & loans	25	21	21	21	21
Net fixed assets	343	359	447	455	470
Other assets	1,522	1,276	1,084	1,021	989
<b>Total assets</b>	<b>5,214</b>	<b>5,062</b>	<b>4,872</b>	<b>4,907</b>	<b>4,954</b>
<b>LIABILITIES:</b>					
Current liabilities:	721	734	618	652	681
Account payables	283	300	285	327	369
Bank overdraft & ST loans	0	0	0	0	(0)
Current LT debt	0	0	0	0	(0)
Others current liabilities	438	434	333	325	312
<b>Total LT debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
Others LT liabilities	891	653	494	408	343
<b>Total liabilities</b>	<b>1,612</b>	<b>1,387</b>	<b>1,112</b>	<b>1,061</b>	<b>1,024</b>
Minority interest	11	10	10	10	10
Preferreds shares	0	0	0	0	0
Paid-up capital	400	396	396	396	396
Share premium	2,825	2,825	2,825	2,825	2,825
Warrants	0	0	0	0	0
Surplus	(90)	25	25	25	25
<b>Retained earnings</b>	<b>456</b>	<b>419</b>	<b>505</b>	<b>591</b>	<b>674</b>
Shareholders' equity	3,591	3,665	3,750	3,837	3,920
<b>Liabilities &amp; equity</b>	<b>5,214</b>	<b>5,062</b>	<b>4,872</b>	<b>4,907</b>	<b>4,954</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Jun (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Earnings before tax	519	592	775	950	1,118
Tax paid	(78)	(71)	(168)	(173)	(225)
Depreciation & amortization	400	378	372	250	224
Chg In working capital	221	67	(17)	16	(52)
Chg In other CA & CL / minorities	372	(19)	(91)	(25)	(12)
<b>Cash flow from operations</b>	<b>1,433</b>	<b>947</b>	<b>870</b>	<b>1,017</b>	<b>1,052</b>
Capex	(13)	(89)	(165)	(110)	(120)
Right of use	(1,452)	(36)	(4)	(4)	(4)
ST loans & investments	0	0	0	0	0
LT loans & investments	0	4	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	850	(283)	(256)	(167)	(148)
<b>Cash flow from investments</b>	<b>(615)</b>	<b>(403)</b>	<b>(425)</b>	<b>(281)</b>	<b>(271)</b>
Debt financing	(0)	0	0	0	(1)
Capital increase	0	(4)	0	0	0
Dividends paid	(433)	(412)	(534)	(673)	(811)
Warrants & other surplus	(2)	3	0	0	0
<b>Cash flow from financing</b>	<b>(436)</b>	<b>(412)</b>	<b>(534)</b>	<b>(673)</b>	<b>(812)</b>
<b>Free cash flow</b>	<b>1,420</b>	<b>858</b>	<b>705</b>	<b>907</b>	<b>932</b>

**VALUATION**

<b>FY ending Jun</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Normalized PE (x)	19.5	17.9	14.1	11.5	9.7
Normalized PE - at target price (x)	24.9	22.8	17.9	14.6	12.4
PE (x)	19.5	17.9	14.1	11.5	9.7
PE - at target price (x)	24.9	22.8	17.9	14.6	12.4
EV/EBITDA (x)	7.5	7.0	6.0	5.8	5.2
EV/EBITDA - at target price (x)	10.0	9.4	8.1	7.8	7.0
P/BV (x)	2.4	2.4	2.3	2.3	2.2
P/BV - at target price (x)	3.1	3.0	3.0	2.9	2.8
P/CFO (x)	6.1	9.2	10.0	8.6	8.3
Price/sales (x)	2.7	3.0	2.4	2.1	1.8
Dividend yield (%)	5.1	5.5	6.8	8.6	10.0
FCF Yield (%)	16.3	9.8	8.1	10.4	10.7
<b>(Bt)</b>					
Normalized EPS	0.6	0.6	0.8	1.0	1.1
EPS	0.6	0.6	0.8	1.0	1.1
DPS	0.6	0.6	0.7	0.9	1.1
BV/share	4.5	4.6	4.7	4.8	4.9
CFO/share	1.8	1.2	1.1	1.3	1.3
FCF/share	1.8	1.1	0.9	1.1	1.2

Sources: Company data, Thanachart estimates

*High dividend yields,  
based on our estimates*

## FINANCIAL RATIOS

FY ending Jun	2021A	2022A	2023F	2024F	2025F
<b>Growth Rate</b>					
Sales (%)	1.2	(9.2)	23.7	15.7	13.8
Net profit (%)	10.0	9.0	27.6	22.6	17.7
EPS (%)	10.0	9.0	27.6	22.6	17.7
Normalized profit (%)	0.4	9.0	27.6	22.6	17.7
Normalized EPS (%)	0.4	9.0	27.6	22.6	17.7
Dividend payout ratio (%)	98.7	97.8	95.8	99.0	97.4
<b>Operating performance</b>					
Gross margin (%)	59.6	64.7	64.0	64.3	64.6
Operating margin (%)	16.1	20.0	21.0	22.0	22.6
EBITDA margin (%)	28.5	33.0	31.2	28.0	27.3
Net margin (%)	13.7	16.6	17.1	18.2	18.8
D/E (incl. minor) (x)	0.0	0.0	0.0	0.0	(0.0)
Net D/E (incl. minor) (x)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Interest coverage - EBIT (x)	18.4	28.6	39.4	62.3	98.9
Interest coverage - EBITDA (x)	32.7	47.1	58.7	79.2	119.5
ROA - using norm profit (%)	9.6	9.5	12.5	15.5	18.1
ROE - using norm profit (%)	12.4	13.4	16.7	20.0	23.1
<b>DuPont</b>					
ROE - using after tax profit (%)	12.3	13.4	16.7	20.0	23.1
- asset turnover (x)	0.7	0.6	0.7	0.9	1.0
- operating margin (%)	17.0	20.9	22.0	23.1	23.7
- leverage (x)	1.3	1.4	1.3	1.3	1.3
- interest burden (%)	94.9	96.7	97.6	98.5	99.0
- tax burden (%)	84.9	82.0	80.0	80.0	80.0
WACC (%)	12.9	12.9	12.9	12.9	12.9
ROIC (%)	20.9	27.8	36.3	39.9	46.1
NOPAT (Bt m)	440	480	606	736	862
invested capital (Bt m)	1,728	1,669	1,844	1,867	1,981

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

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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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