Small Cap Research

BUY (Unchanged) | **TP: Bt 11.00** (From: Bt 9.00)

Change in Numbers | **Upside : 40.1%** | **25 JANUARY 2023**

Thanachart Securities

Prima Marine Pcl (PRM TB)

Another up-cycle

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We reaffirm our BUY call on PRM and raise our DCF-based TP to Bt11 from Bt9 on a higher time-charter rate and faster fleet expansion. Despite the strong outperformance over the past six months, the stock still looks attractive at 11x 2023F PE vs. its 15x historical average and in light of 15% and 9% EPS growth in 2023-24F.

FSU rate hike a major driver

We estimate 6% and 5% y-y FSU TCE (time charter equivalent) rate increases for PRM's FSU fleet in 2023-24F. Our view is based on the favorable backdrop in the VLCC market, where rates have increased significantly since 4Q22. The VLCC market tightness is driven by a limited supply of new vessels (lowest order book in at least 30 years), global oil demand growth, and higher tonne-mile demand for oil transport because of the EU's sanctions on Russian crude oil.

Fleet expansion adding to growth

We expect PRM to continually add new vessels to its fleet. In 2023F, we expect the company to fully realize the impact of growth in its VLCC fleet (now numbering three vessels), which serves Thai Oil Pcl (TOP TB, BUY, Bt58.75, covered by Yupapan Polpornprasert) on long-term fixed-rate contracts. Additionally, PRM is looking to procure at least a few more chemical tankers to serve the regional market. While these vessels are small in nature, their profit contribution is relatively large, with roughly 3.5 chemical tankers contributing the equivalent of one VLCC. In 2024F, PRM is due to take delivery of two newbuild offshore support vessels, which would enhance its fleet efficiency and likely command premium rates. Lastly, PRM is on the lookout for more VLCCs to serve as FSUs though high second-hand market price makes such investments less attractive currently.

Improved outlook for offshore unit

We expect PRM's offshore unit to be another growth driver. The unit suffered significantly during 2020-21 as low oil prices limited E&P activities in the Gulf of Thailand. Since mid-2022, the outlook has improved substantially as oil prices have surged and PRM was able to fully charter out its vessels. We believe this will be an area of growth as PRM looks to help its clients reduce their carbon footprints and achieve their respective net-zero emission targets by deploying brand-new and more efficient vessels.

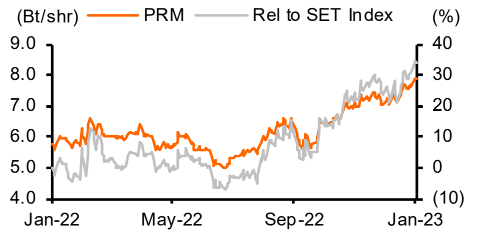
Valuation still attractive, in our view

We believe PRM still looks attractive as the stock is trading at an 11x forward PE multiple compared to 15% and 9% EPS growth in 2023-24F. Its current valuation also represents a steep discount to its average over the past five years of 15x PE. We also expect dividend yield to rise along with higher profits. We see strong sequential earnings growth as a key catalyst for the stock.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	5,880	6,734	7,456	7,866
Net profit	1,403	1,510	1,730	1,893
Consensus NP	—	2,013	1,621	1,825
Diff frm cons (%)	—	*(25.0)*	*6.7*	*3.7*
Norm profit	1,060	1,510	1,730	1,893
Prev. Norm profit	—	1,191	1,323	1,502
Chg frm prev (%)	—	*26.8*	*30.8*	*26.0*
Norm EPS (Bt)	0.4	0.6	0.7	0.8
Norm EPS grw (%)	(33.7)	42.5	14.6	9.4
Norm PE (x)	18.5	13.0	11.3	10.4
EV/EBITDA (x)	9.9	8.4	7.2	6.5
P/BV (x)	2.2	2.0	1.8	1.7
Div yield (%)	3.3	3.5	4.0	4.3
ROE (%)	12.7	16.4	17.1	17.0
Net D/E (%)	30.1	49.9	42.7	29.3

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 25-Jan-23 (Bt)	7.85
Market Cap (US$ m)	597.4
Listed Shares (m shares)	2,500.0
Free Float (%)	45.2
Avg Daily Turnover (US$ m)	1.6
12M Price H/L (Bt)	7.85/5.00
Sector	TRANS
Major Shareholder	Nathalin Co., Ltd. 54.20%

Sources: Bloomberg, Company data, Thanachart estimates

FSU rate hike a major driver

We estimate 6% and 5% FSU TCE rate growth in 2023-24F…

…supported by a favorable VLCC backdrop

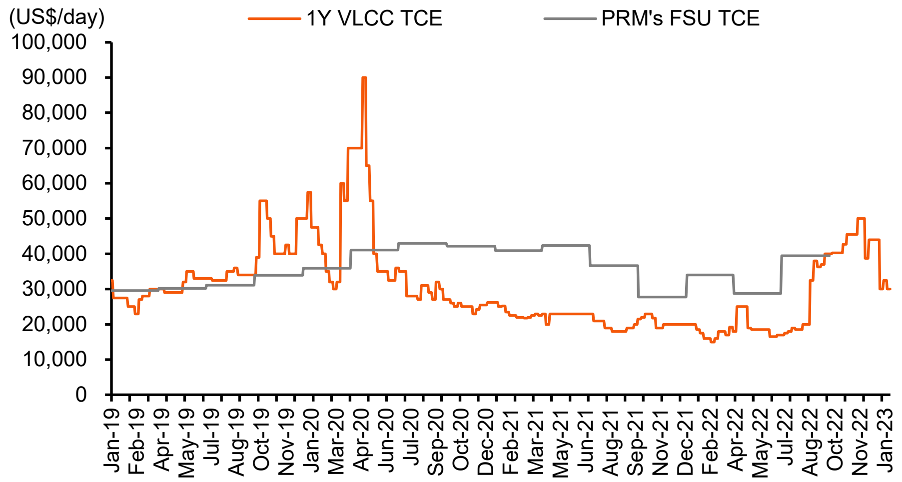
We expect Prima Marine Pcl (PRM) to benefit from strong rate increases for its floating storage unit (FSU) fleet. This type of vessel is essentially a very large crude carrier (VLCC) but instead of oil transport, it is used to store fuels. In the past, PRM's FSU rate has been strongly influenced by the ups and downs of the global VLCC rate and typically with a lag of three to six months. For example, when global VLCC rates began increasing in late 2019, PRM's FSU rate started to follow suit beginning in 4Q19. As global VLCC rates began to fall in 3Q20, PRM's rate also started to decline, albeit at a much more gradual pace. This time around, we foresee a strong outlook for the global VLCC rate, and we also expect PRM's FSU rate to rise. Our estimates imply 6% and 5% FSU TCE rate increases in 2023F and 2024F, respectively.

Strong global VLCC rate recovery

Global VLCC rate is on a strong recovery path

The global VLCC rate had a wild ride over the past three years as the pandemic first created a significant need for offshore oil storage, and then demand destruction wreaked havoc on VLCC demand for oil transport. Since late 2022, we have begun to see the global VLCC rate increasing rapidly. We think this was because of continued oil demand growth and as the impact of EU's sanctions on Russian crude oil imports (which increases the tonne-mile effect) began to be felt. We expect rates to remain similarly strong in 2023F, supported by the limited supply of new vessels, global oil demand growth (particularly in China), and an increased tonne-mile impact because of the sanctions.

Ex 1: Strong Global VLCC Rate Is A Positive Tailwind For PRM's FSU TCE



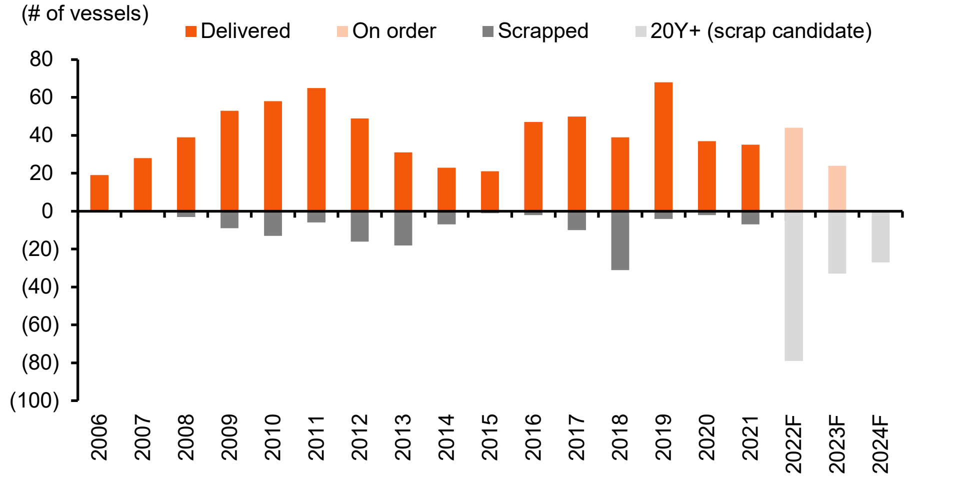
Sources: Company data, Bloomberg, Thanachart estimates

Limited supply of new vessels

New VLCC supply likely to be limited as order book is at lowest level in decades

We foresee a limited supply of new VLCC vessels over the next few years. The orderbook-to-fleet ratio (a key metric for measuring potential supply growth) stands at just 4%, which is the lowest level in at least 30 years. On the other hand, the number of vessels exceeding 20 years old (which are potential candidates for scrapping) stands at 11%. As such, we expect to see very limited net fleet growth over the next few years. We note that the new shipping regulation (which impacts new vessel fuel choices), uncertainty over long-term oil demand, and competition for new ship orders from other segments are likely to keep the order book low for the foreseeable future.

Ex 2: Few VLCC Scheduled Deliveries In 2024F And Beyond



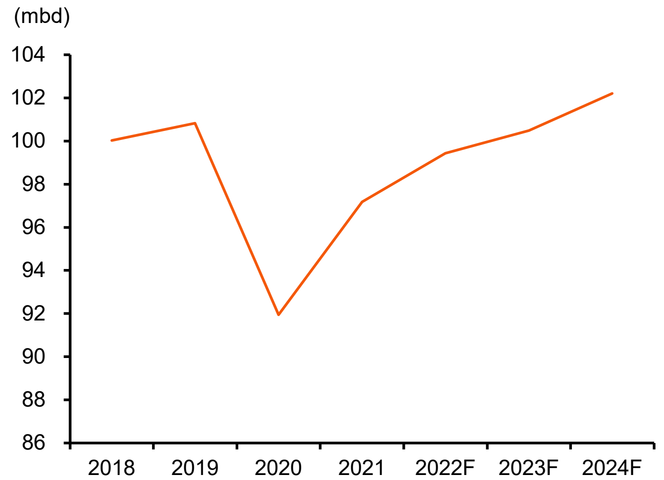
Sources: Frontline, Thanachart estimates

Recovering global oil demand

Global oil demand likely to reach pre-COVID level in 2023F

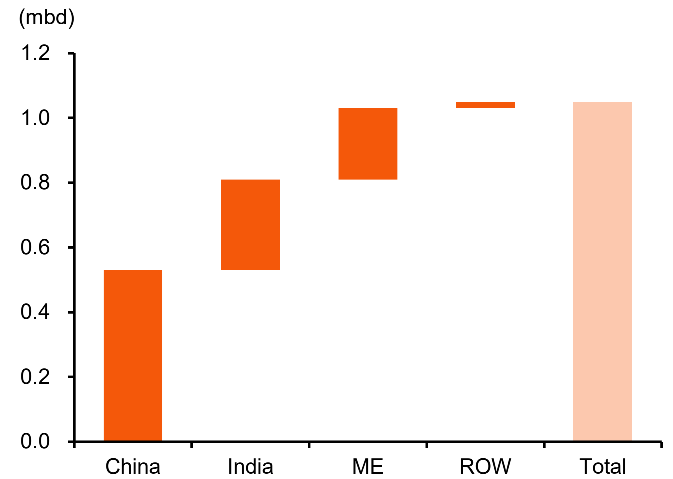
Another major factor that is likely to drive a turnaround in the global VLCC rate is improved global oil demand. According to the EIA's estimate, global oil demand is likely to reach 100.5mbd in 2023F, up over 1mbd y-y and nearly matching the levels seen in 2019. This is driven mainly by consumption growth in China, India, and the Middle East.

Ex 3: Global Oil Demand Back To Pre-COVID Level



Source: EIA

Ex 4: Change In Global Oil Demand In 2023F



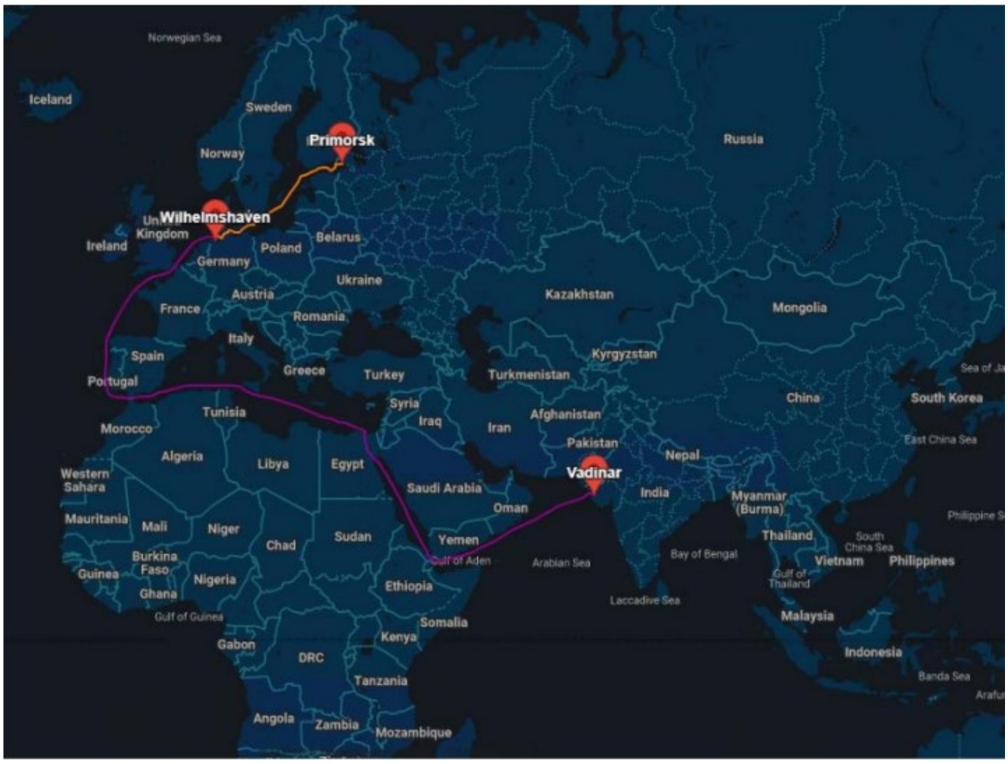
Sources: EIA, Thanachart estimates

Higher tonne-mile due to sanctions

In addition to strong overall demand growth, we also expect to see a higher tonne-mile effect because of the EU's sanctions on Russian crude oil imports. This policy has had a dramatic effect on shifting crude oil trade flows. For example, instead of shipping crude oil from its western port to Europe, Russia now has to move such crude through the Mediterranean and the Suez Canal to reach India. This represents over 4x the shipping distance to a port in northern Germany. What this means is for every barrel of oil that Russia exports, there is a significantly higher demand for vessels to carry that barrel.

EU sanctions on Russian crude have led to major hikes in tonne-mile demand

Ex 5: Shipping Oil From Russia To India Is 4x The Distance Of Shipping To The EU



Source: Euronav

Fleet expansion adding to growth

Expanding VLCC and chemical tankers to help drive EPS growth further

We expect fleet expansion to also help drive PRM's earnings in 2023-24F. In 2023F, PRM will recognize revenue from all three VLCCs under contract with Thai Oil (TOP TB, BUY, Bt58.75) with the last vessel being added in 4Q22. These vessels operate on long-term fixed contracts and are therefore not subject to the volatility in the spot freight market. Additionally, PRM plans to add chemical tankers to its fleet starting in February this year. While chemical tankers are generally much smaller than VLCCs (at 10,000 DWT vs. a VLCC's 250-300k DWT), the profit contribution is significant. The company's guidance is that about 3.5 chemical tankers will generate the same profit as one VLCC.

Ex 6: PRM Fleet Growth (Measured At Year-End)

	2018	2019	2020	2021	2022F	2023F	2024F
Dom. & chem. tankers	26	31	30	34	35	37	39
Int'l tankers	2	1	1	2	4	4	4
FSU	4	7	8	5	5	6	6
Offshore vessels	3	3	2	14	15	15	17

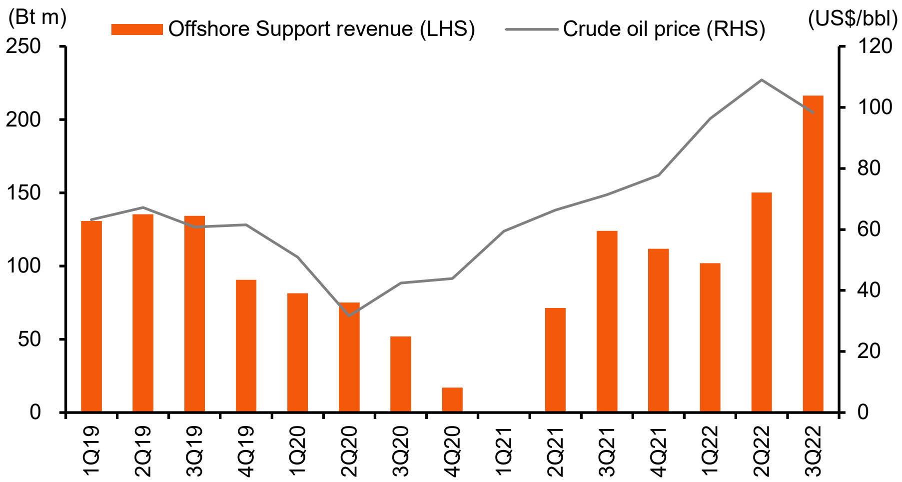
Sources: Company data, Thanachart estimates

Improved outlook for offshore unit

Offshore unit has seen a sharp turnaround due to increased oil prices and higher E&P activities

Lastly, we see a stronger outlook for PRM's offshore support unit. Revenue from its offshore support vessel has been on an upward trajectory since bottoming out in 1Q21 when none of its vessels were deployed. Looking forward, we believe the relatively high oil price environment coupled with increased activities in the Gulf of Thailand will help to boost PRM's fleet utilization. In 2024F, the company is looking to add two newbuild vessels (vs. 15 in operation now), which are more efficient than existing ones. These vessels will likely command a premium in terms of charter rates as they could help local oil and gas producers reduce their total carbon footprints and achieve their respective net zero targets.

Ex 7: PRM's Offshore Support Revenue Vs. Dubai Oil Price

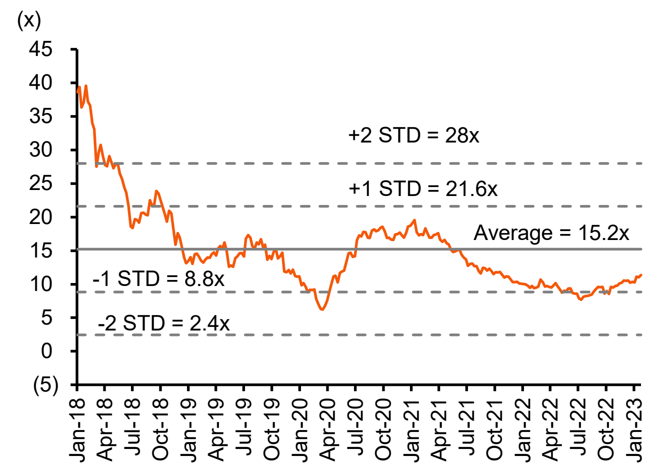


Sources: Company data, Bloomberg, Thanachart estimates

Valuation remains attractive, in our view

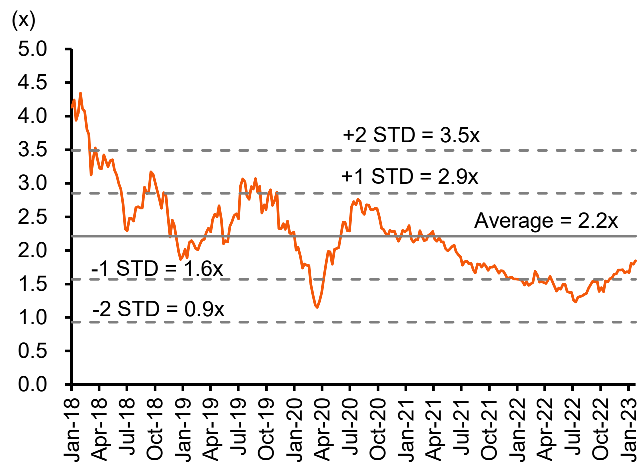
While PRM has had a good run over the past six months, we see room for further outperformance. The stock is still trading at 11x forward (2023F) PE, which is below its historical average of 15x. At 1.9x, PRM is also trading below its long-run P/BV average of 2.2x. We also expect a higher dividend yield in 2023-24F at around 4% vs. the low-3% level in 2020-22F.

Ex 8: PRM's PE



Sources: Bloomberg, Thanachart estimates

Ex 9: PRM's P/BV



Sources: Bloomberg, Thanachart estimates

Ex 10: 12-month DCF-based TP Calculation, Using A Base Year Of 2023F

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal value
EBITDA & equity income	3,272	3,450	3,480	3,612	3,749	3,864	3,960	4,057	4,159	4,264	4,374	
Free cash flow *	1,393	2,111	2,312	2,440	2,546	2,452	2,521	2,590	2,660	2,734	2,810	39,510
PV of free cash flow	1,393	1,944	1,960	1,904	1,808	1,598	1,509	1,422	1,341	1,265	1,159	16,292

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.1
WACC (%)	8.6
Terminal growth (%)	2.0
Enterprise value - add investments	32,202
Net debt	4,738
Minority interest	458
Equity value	27,006
# of shares (m)	2,500
Equity value/share (Bt)	**10.80**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 11: 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 (%)
U-Ming Marine Transport	2606 TT	Taiwan	na	9.4	8.4	7.7	1.2	1.1	na	na	na	na
Evergreen Marine Corp TW	2603 TT	Taiwan	39.7	(86.1)	1.0	6.9	0.6	0.7	0.2	0.8	46.1	3.9
Sincere Navigation	2605 TT	Taiwan	(85.0)	na	na	23.1	0.7	0.7	na	na	na	na
Yang Ming Marine Transport	2609 TT	Taiwan	16.1	(89.2)	1.1	10.6	0.6	0.7	na	na	34.8	5.0
Wan Hai Lines Ltd	2615 TT	Taiwan	(1.1)	(93.5)	2.0	31.5	0.9	0.9	0.7	7.9	16.7	2.2
China Shipping Dev	1138 HK	HK	na	130.6	20.3	8.8	1.2	1.0	15.7	10.3	2.0	3.9
Orient Oversea International	316 HK	HK	45.3	(48.4)	8.7	16.9	6.3	5.8	0.3	0.5	7.0	1.5
China COSCO Holding	1919 HK	HK	23.7	(67.8)	1.2	3.6	0.6	0.6	0.1	0.4	36.7	8.9
Pacific Basin Shipping Ltd	2343 HK	HK	(7.8)	(33.3)	19.4	29.1	7.0	6.4	2.0	3.6	3.2	2.1
Kawasaki Kisen Kaisha Ltd	9107 JP	Japan	na	43.8	1.4	1.0	1.1	0.5	15.4	7.9	4.9	8.7
Mitsui OSK Lines Ltd	9104 JP	Japan	na	23.3	1.9	1.5	1.1	0.7	15.2	12.2	10.7	16.3
Nippon Yusen KK	9101 JP	Japan	na	4.9	1.7	1.6	1.2	0.7	6.4	6.0	13.1	15.3
Korea Line Corp	005880 KS	S.Korea	(5.3)	(12.5)	3.0	3.4	0.4	0.4	7.7	7.0	1.6	1.5
Prima Marine Pcl	PRM TB *	Thailand	42.5	14.6	13.0	11.3	2.0	1.8	8.4	7.2	3.5	4.0
Precious Shipping Pcl	PSL TB *	Thailand	8.2	(22.3)	5.3	6.8	1.5	1.4	4.4	5.1	9.9	7.7
Average			**7.6**	**(16.2)**	**6.3**	**10.9**	**1.7**	**1.6**	**6.4**	**5.7**	**14.6**	**6.2**

Source: Bloomberg

Note: * Thanachart estimates, using Thanachart normalized EPS

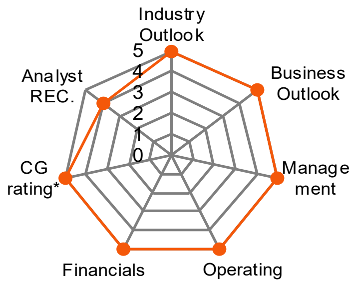
Based on 25 January 2023 closing prices

COMPANY DESCRIPTION

Prima Marine Pcl (PRM) engages in the transportation and floating storage of oil products. The company owns a fleet of over 40 oil tankers, ranging from the small 3,000dwt domestic tankers to the largest VLCCs (270,000dwt or more). PRM divides its businesses into five groups: domestic tanker, international tanker, FSU (VLCCs used as floating storage units), offshore support, and ship management. Of the five units, FSU is the biggest profit contributor (72% of 2020 GP), followed by domestic tankers (15% of 2020 GP).

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

- A well-diversified fleet of oil tankers, catering to both domestic and international customers.
- PRM is the biggest domestic tanker owner and accounts for as much as 50% of total waterborne oil product transportation in Thailand.

W — Weakness

- PRM relies heavily on its FSU (VLCC fleet) to generate the bulk of its profit, though we note that by the standard of VLCC owners, PRM's earnings are much less volatile as it fixes most of its ships on long-term time charters.
- Tanker operators generally have high fixed costs and little room to manage earnings when time charter rates decline.

O — Opportunity

- The IMO-2020 regulation has created significant requirements for storage, transportation, and blending capabilities. We see significant growth opportunities for PRM as this is the segment in which it specializes.

T — Threat

- The tanker market generally has low barriers to entry. However, as PRM caters to a very specific segment and its customers have proven to be highly loyal, we think the company has a relative edge over competitors.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	9.36	11.00	18%
Net profit 22F (Bt m)	2,013	1,510	-25%
Net profit 23F (Bt m)	1,621	1,730	7%
Consensus REC	**BUY: 7**	**HOLD: 0**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022F earnings are 25% below the Bloomberg consensus estimate as we are likely more conservative on the FSU rate. However, we are 7% higher with our 2023F EPS as we likely factor in higher TCE rates and fleet expansion.
- Our TP is 18% higher, which we attribute to us having a more positive view on PRM's long-term growth potential.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Lower-than-expected time charter rates or slower-than-expected fleet growth would negatively impact PRM's FSU and the international tanker businesses.
- Weaker-than-expected domestic oil product demand would negatively impact its domestic oil transport volume.
- A prolonged low oil price environment could lead to a severe earnings decline for its offshore support unit.

Source: Thanachart

PRM

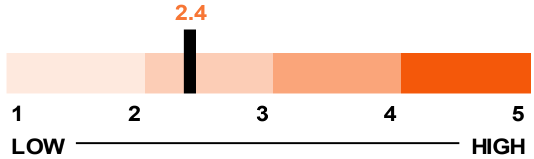
Prima Marine Pcl

Sector: Services | Transportation & Logistics

ESG & Sustainability Report

PRM operates a fleet of oil tankers, including VLCCs (very large crude carriers) and Aframax vessels. Its primary business is FSU (floating storage unit), international crude oil and chemical shipping, domestic fuel transport, and offshore support for the oil & gas industries. Our ESG score for PRM is 2.44, which is slightly below the shipping sector average.

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)
PRM	-	-	-	-	45.36	20.5	-	-	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**	▪ PRM fully complies with International Maritime Organization (IMO) policies, which govern how the shipping sector can limit its environmental impact. For instance, PRM follows the IMO's Convention on the Control and Management of Ship's Ballast Water and Sediment, which prescribes a Ballast Water Management System (BWMS) on all ships transporting in international waters. This is aimed at minimizing impacts on local marine life. ▪ PRM also complies with IMO policies regarding onboard waste management by installing an incinerator on its vessels. ▪ PRM also fully complies with the IMO 2020 rule limiting sulfur emissions from vessels.
SOCIAL – **Human Rights** – **Staff Management** – **Health & Safety** – **Product Safety & Quality** – **Social Responsibility**	▪ PRM has established a policy for supporting and protecting human rights. This policy extends to its business partners whereby PRM supervises its business so as not to be involved in the infringement of human rights, such as via the use of child labor. ▪ The company has also adopted policies against discrimination based on race, nationality, religion, language, sex, age, and education. ▪ With regard to staff management, PRM aims to provide appropriate welfare, maintain a safe working environment, and provide regular training to its employees. ▪ PRM is active in several corporate social responsibility (CSR) projects, notably in the communities where it operates.
GOVERNANCE & SUSTAINABILITY – **Board** – **Ethics & Transparency** – **Business Sustainability** – **Risk Management** – **Innovation**	▪ PRM's board of directors comprises eight directors, only one of whom is female. ▪ PRM earned the highest "5 Star" rating from the Corporate Governance Survey Project for Listed Companies. ▪ PRM has a stakeholder management plan, which governs how it treats each of its stakeholders, including shareholders, employees, customers, business partners, and competitors. ▪ PRM has clear policies and guidelines for all key governance issues, including a code of conduct and anti-corruption, conflict of interest, and whistleblowing policies. The board of directors, management, and staff at all levels have duties and responsibilities in upholding these policies. ▪ PRM adopts data privacy protection policies and fully complies with the Personal Data Protection Act B.E. 2017, which has been effective since 1 June 2022.

Sources: Thanachart, Company data

We see strong earnings growth in 2023-24F

Balance sheet remains strong despite continued fleet expansion

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	5,926	5,880	6,734	7,456	7,866
Cost of sales	3,398	4,067	4,328	4,699	4,923
Gross profit	**2,527**	**1,813**	**2,406**	**2,756**	**2,944**
% gross margin	42.7%	30.8%	35.7%	37.0%	37.4%
Selling & administration expenses	486	498	514	536	549
Operating profit	**2,042**	**1,315**	**1,892**	**2,220**	**2,395**
% operating margin	34.5%	22.4%	28.1%	29.8%	30.4%
Depreciation & amortization	735	953	1,044	1,168	1,187
EBITDA	**2,777**	**2,268**	**2,936**	**3,388**	**3,582**
% EBITDA margin	46.9%	38.6%	43.6%	45.4%	45.5%
Non-operating income	56	143	100	102	104
Non-operating expenses	0	0	0	0	0
Interest expense	(214)	(249)	(298)	(352)	(342)
Pre-tax profit	**1,883**	**1,210**	**1,694**	**1,970**	**2,157**
Income tax	191	134	169	197	216
After-tax profit	**1,692**	**1,076**	**1,525**	**1,773**	**1,941**
% net margin	28.5%	18.3%	22.6%	23.8%	24.7%
Shares in affiliates' Earnings	90	27	117	108	117
Minority interests	(169)	(124)	(131)	(150)	(165)
Extraordinary items	(80)	424	0	0	0
NET PROFIT	**1,533**	**1,403**	**1,510**	**1,730**	**1,893**
Normalized profit	**1,598**	**1,060**	**1,510**	**1,730**	**1,893**
EPS (Bt)	0.6	0.6	0.6	0.7	0.8
Normalized EPS (Bt)	0.6	0.4	0.6	0.7	0.8

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	2,754	3,615	4,127	4,565	4,815
Cash & cash equivalent	2,219	2,612	2,991	3,311	3,494
Account receivables	364	741	849	940	991
Inventories	163	166	177	192	201
Others	7	96	110	122	129
Investments & loans	673	458	458	458	458
Net fixed assets	8,853	9,606	12,920	13,602	13,738
Other assets	1,364	3,670	3,869	4,052	4,221
Total assets	**13,643**	**17,349**	**21,373**	**22,677**	**23,232**
LIABILITIES:					
Current liabilities:	2,093	2,595	1,579	1,654	1,686
Account payables	661	890	948	1,029	1,078
Bank overdraft & ST loans	0	0	401	402	355
Current LT debt	1,172	1,385	0	0	0
Others current liabilities	260	320	230	223	253
Total LT debt	**2,998**	**3,968**	**7,619**	**7,647**	**6,750**
Others LT liabilities	229	1,676	2,088	2,289	2,465
Total liabilities	**5,319**	**8,239**	**11,286**	**11,590**	**10,902**
Minority interest	468	327	458	458	623
Preferreds shares	0	0	0	0	0
Paid-up capital	2,500	2,500	2,500	2,500	2,500
Share premium	3,407	3,407	3,407	3,407	3,407
Warrants	0	0	0	0	0
Surplus	(651)	(233)	(233)	(233)	(233)
Retained earnings	**2,600**	**3,109**	**3,954**	**4,955**	**6,033**
Shareholders' equity	7,856	8,783	9,628	10,629	11,707
Liabilities & equity	**13,643**	**17,349**	**21,373**	**22,677**	**23,232**

Sources: Company data, Thanachart estimates

PRM is likely to generate high FCF in 2023-24F on favorable outlook

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	1,883	1,210	1,694	1,970	2,157
Tax paid	(68)	(250)	(92)	(216)	(189)
Depreciation & amortization	735	953	1,044	1,168	1,187
Chg In w orking capital	272	(150)	(61)	(25)	(12)
Chg In other CA & CL / minorities	(10)	(111)	(64)	(43)	113
Cash flow from operations	**2,813**	**1,652**	**2,521**	**2,854**	**3,256**
Capex	(50)	(1,706)	(4,257)	(1,734)	(1,192)
Right of use	(147)	(1,589)	(300)	(300)	(300)
ST loans & investments	88	0	0	0	0
LT loans & investments	(28)	215	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(199)	1,144	412	200	177
Cash flow from investments	**(336)**	**(1,936)**	**(4,145)**	**(1,834)**	**(1,315)**
Debt financing	(607)	1,153	2,667	29	(944)
Capital increase	0	0	0	0	0
Dividends paid	(525)	(650)	(665)	(729)	(815)
Warrants & other surplus	(67)	174	0	0	0
Cash flow from financing	**(1,199)**	**677**	**2,003**	**(700)**	**(1,759)**
Free cash flow	**2,763**	**(54)**	**(1,735)**	**1,120**	**2,064**

PRM still trading below its 5-year average P/E of 15x

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	12.3	18.5	13.0	11.3	10.4
Normalized PE - at target price (x)	17.2	26.0	18.2	15.9	14.5
PE (x)	12.8	14.0	13.0	11.3	10.4
PE - at target price (x)	17.9	19.6	18.2	15.9	14.5
EV/EBITDA (x)	7.8	9.9	8.4	7.2	6.5
EV/EBITDA - at target price (x)	10.6	13.3	11.1	9.5	8.7
P/BV (x)	2.5	2.2	2.0	1.8	1.7
P/BV - at target price (x)	3.5	3.1	2.9	2.6	2.3
P/CFO (x)	7.0	11.9	7.8	6.9	6.0
Price/sales (x)	3.3	3.3	2.9	2.6	2.5
Dividend yield (%)	3.2	3.3	3.5	4.0	4.3
FCF Yield (%)	14.1	(0.3)	(8.8)	5.7	10.5
(Bt)					
Normalized EPS	0.6	0.4	0.6	0.7	0.8
EPS	0.6	0.6	0.6	0.7	0.8
DPS	0.3	0.3	0.3	0.3	0.3
BV/share	3.1	3.5	3.9	4.3	4.7
CFO/share	1.1	0.7	1.0	1.1	1.3
FCF/share	1.1	(0.0)	(0.7)	0.4	0.8

Sources: Company data, Thanachart estimates

We expect ROE improvement in 2023F on higher operating margin

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	10.8	(0.8)	14.5	10.7	5.5
Net profit (%)	49.8	(8.5)	7.6	14.6	9.4
EPS (%)	49.8	(8.5)	7.6	14.6	9.4
Normalized profit (%)	62.3	(33.7)	42.5	14.6	9.4
Normalized EPS (%)	62.3	(33.7)	42.5	14.6	9.4
Dividend payout ratio (%)	40.8	46.3	45.0	45.0	45.0
Operating performance					
Gross margin (%)	42.7	30.8	35.7	37.0	37.4
Operating margin (%)	34.5	22.4	28.1	29.8	30.4
EBITDA margin (%)	46.9	38.6	43.6	45.4	45.5
Net margin (%)	28.5	18.3	22.6	23.8	24.7
D/E (incl. minor) (x)	0.5	0.6	0.8	0.7	0.6
Net D/E (incl. minor) (x)	0.2	0.3	0.5	0.4	0.3
Interest coverage - EBIT (x)	9.5	5.3	6.4	6.3	7.0
Interest coverage - EBITDA (x)	13.0	9.1	9.9	9.6	10.5
ROA - using norm profit (%)	12.0	6.8	7.8	7.9	8.2
ROE - using norm profit (%)	21.6	12.7	16.4	17.1	17.0
DuPont					
ROE - using after tax profit (%)	22.9	12.9	16.6	17.5	17.4
- asset turnover (x)	0.4	0.4	0.3	0.3	0.3
- operating margin (%)	35.4	24.8	29.6	31.1	31.8
- leverage (x)	1.8	1.9	2.1	2.2	2.1
- interest burden (%)	89.8	82.9	85.1	84.8	86.3
- tax burden (%)	89.8	88.9	90.0	90.0	90.0
WACC (%)	8.6	8.6	8.6	8.6	8.6
ROIC (%)	17.1	11.9	14.8	13.6	14.0
NOPAT (Bt m)	1,834	1,170	1,702	1,998	2,155
invested capital (Bt m)	9,807	11,524	14,658	15,367	15,319

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 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.

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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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