

BUY (Unchanged)
Change in Numbers

TP: Bt 40.00
Upside: 28.0%

(From: Bt 41.00)

31 JANUARY 2023

COM7 Pcl. (COM7 TB)

Marching on

COM7 continues to march on, gaining market share. We reiterate our BUY call as we view it as a quality growth stock with 24% EPS growth and 47/50% ROE in 2023-24F. The brief supply shortage in December looks to be resolved in January with a likely strong 1Q23F.



PATTADOL BUNNAK
662 – 483 8298
pattadol.bun@thanachartsec.co.th

An inexpensive growth stock

We reiterate our BUY on COM7 as a high-quality growth stock. Our DCF-based (2023F base year) 12-month TP is Bt40 (from Bt41). *First*, we forecast 24% EPS growth in 2023-24F off a high earnings base of a 36% 2019-22F CAGR. *Second*, we see growth being backed by a proven track record of market-share gains from store expansion and same-store sales growth from store formats and size that offer a better experience and convenience to customers. We expect market share to rise from 27% in 2022 to 32% in 2025F. *Third*, as the largest IT and mobile phone chain store in Thailand, COM7 has scale and operating leverage. It has the highest net margin (4.8%) in the industry, 48% ROE in 2022F and we expect this to rise. *Lastly*, with such growth and ROE, COM7 is attractive to us at 2023F PE of 20x.

Drivers remain in the works

COM7 continues to grow with the same drivers as it has enjoyed for the past several years. One is market-share gain, which is due to its store formats fitting various customer demand with large space for a variety of product choices. With a larger sales and cash flow base, COM7 has continued to open new stores to gain more market share. From 787 stores in 2019, it had 1,500 stores at the end of last year. Its outside-mall, standalone shops are also successful and help expand its growth further. Of 1,500 stores, around 120 are standalone format. COM7 plans to open over 150 new stores p.a. with over 50% being standalone format. With larger business scale its net margin is 5.3% from 3.2% five years ago. Its ROE is 47% vs. 32% five years ago.

Brief supply shortage has been resolved

COM7 experienced a supply shortage in December 2022 but the problem appears to be resolved in January 2023 with strong sales. We fine-tune down our 2022F earnings by 3% but maintain our forecasts in 2023-24F. We are not worried as long as demand remains strong. Despite the supply shortage due to China's lockdown, we estimate 4Q22F earnings at Bt935m, up 4% y-y and 30% q-q. Sales momentum in January was very strong led by delayed purchases from December and stronger demand from an economic recovery. If momentum continues throughout 1Q23F, growth could be 19% y-y, in our view.

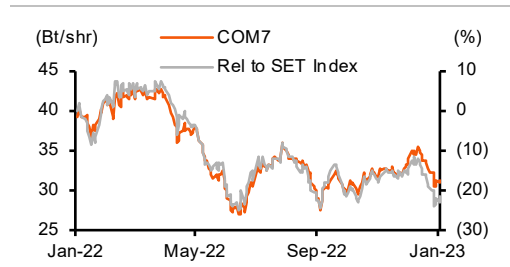
Conservative on new business

COM7 announced a JV in the drug store business with Bangkok Dusit Medical Services Pcl (BDMS, Bt29.75, BUY) last year. The JV plans to open drug stores both in malls and standalone stores, using COM7's store expansion experience while BDMS will focus on drug selection. The JV plans to open a few stores this year. That said, COM7 said it plans to be conservative on investment due to it being a new area, to avoid losses.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	51,126	62,304	70,866	79,235
Net profit	2,630	3,061	3,785	4,700
Consensus NP	—	2,984	3,513	4,107
Diff frm cons (%)	—	2.6	7.8	14.4
Norm profit	2,608	3,061	3,785	4,700
Prev. Norm profit	—	3,156	3,766	4,680
Chg frm prev (%)	—	(3.0)	0.5	0.4
Norm EPS (Bt)	1.1	1.3	1.6	2.0
Norm EPS grw (%)	80.0	17.3	23.7	24.2
Norm PE (x)	28.8	24.5	19.8	16.0
EV/EBITDA (x)	20.0	16.5	13.6	11.0
P/BV (x)	14.2	10.2	8.4	7.5
Div yield (%)	1.6	1.9	4.1	5.5
ROE (%)	57.1	48.5	46.6	49.8
Net D/E (%)	49.6	7.4	(2.5)	(5.4)

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 31-Jan-23 (Bt)	31.25
Market Cap (US\$ m)	2,272.4
Listed Shares (m shares)	2,400.0
Free Float (%)	50.0
Avg Daily Turnover (US\$ m)	13.7
12M Price H/L (Bt)	43.00/27.00
Sector	Commerce
Major Shareholder	Khun Sura Kanittavikul 25.05%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P11



An inexpensive growth stock

Reiterate BUY

We reiterate our BUY call on COM7 as we view it as a high-quality growth stock. Our DCF-based (2023F base year) TP is Bt40 (from Bt41). COM7 is also a country top pick.

Ex 1: Our Assumption

	2019	2020	2021	2022F	2023F	2024F
# of stores	787	911	1,000	1,150	1,350	1,560
Sales growth from incremental stores (%)	7	37	7	9	4	6
Same-store sales growth (%)	12	7	30	15	8	6
Total sales growth	19	44	37	24	12	12
Gross margin (%)	13.2	12.6	13.4	13.3	13.6	13.7
SG&A to sales (%)	8.8	8.0	7.4	6.7	6.2	5.9
EBIT margin (%)	4.5	4.6	6.0	6.2	6.6	7.4

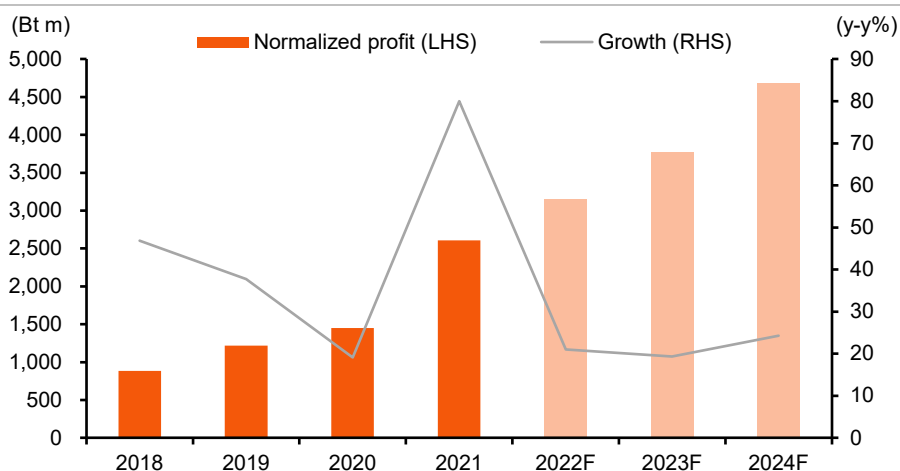
Sources: Company data, Thanachart estimates

Strong proven growth track

We like COM7's strong growth path

First, we forecast COM7 to record 24% EPS growth in 2023/24F from the high earnings base from three strong years of 36% CAGR in 2020-22F.

Ex 2: Strong Earnings Growth Path



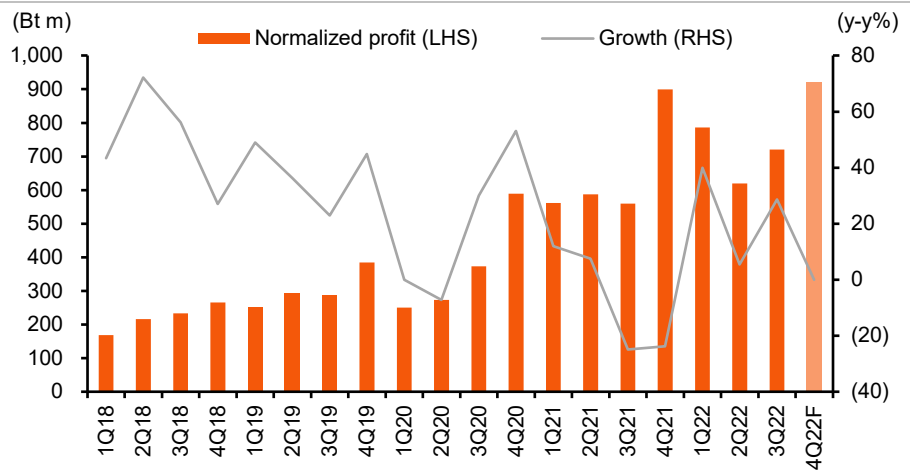
Sources: Company data, Thanachart estimates

Record 4Q22F despite hiccups

Note that we forecast COM7's 4Q22F earnings growth of 30% q-q in 4Q22F and 4% y-y from the previous record level in 4Q21, despite the supply shortage late in the year amid China's factory lockdown. This is thanks to its market-share gains which we discuss below.

Now that IT product demand is stabilizing and China is reopening, we forecast a strong earnings growth recovery from 1Q23F onward.

Ex 3: COM7's Quarterly Earnings



Sources: Company data, Thanachart estimates

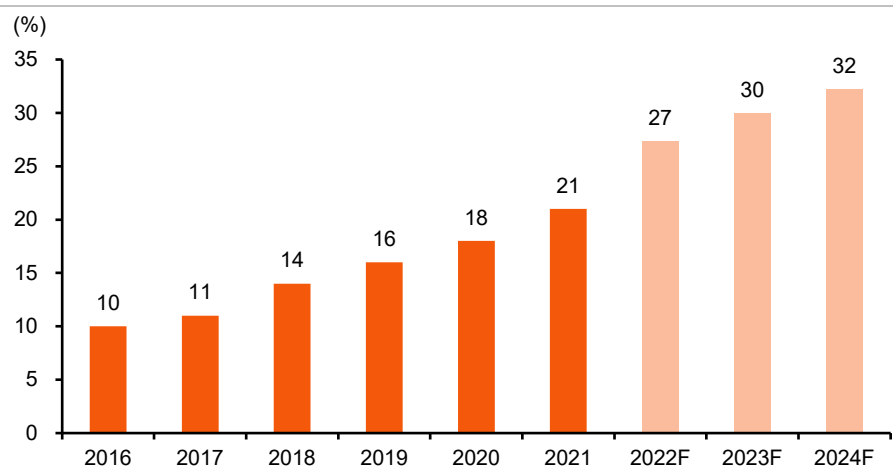
Proven track record of growth

Second, we see COM7's growth being driven by a proven track record of market-share gains from both store expansion and same-store-sale growth (SSSG). And this is the reason we expect COM7 to continue to outperform Thailand's IT consumer industry growth.

We estimate COM7's market share to have accelerated from 14% in 2018 to 27% in 2022F. In those years, its SSSG averaged 16% p.a. and store expansion grew by an average of 10%. The gain was despite COM7 being the largest IT consumer product retailer in Thailand.

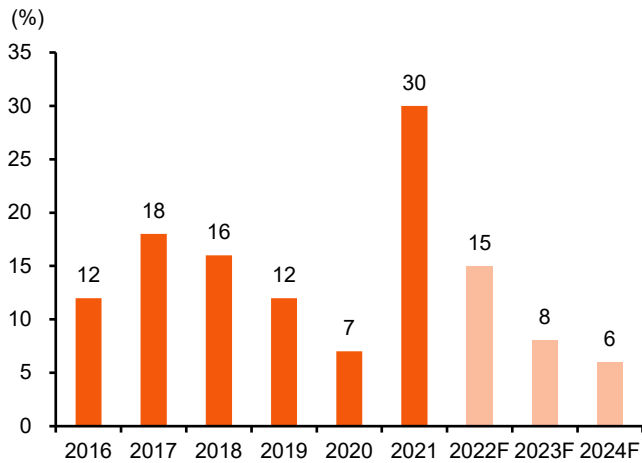
Looking forward, we expect COM7's market share to increase to 32% in 2025F, driven by both SSSG and store expansion. We do not regard our assumption as aggressive. Exhibit 7-9 show COM7's large sales and margin gap with its peers which are struggling to expand.

Ex 4: COM7's Market share



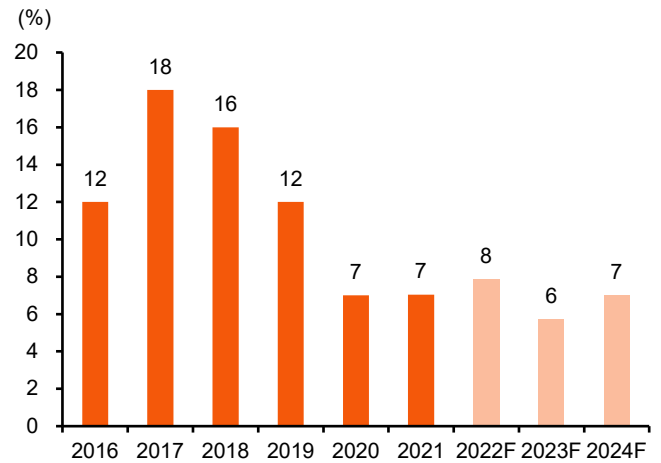
Sources: Company data, Thanachart estimates

Ex 5: Same-Store-Sales Growth



Sources: Company data, Thanachart estimates

Ex 6: Store Expansion Growth

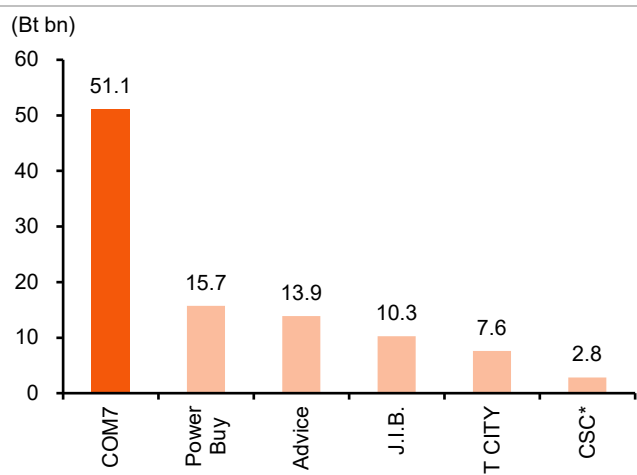


Sources: Company data, Thanachart estimates

Same store sales growth: As the only store chain that uses the large-space store format to sell both mobile and IT products, COM7 naturally attracts more traffic. COM7’s average size of its main stores in malls is 150 sqm, or 30-50% larger than those of most of its competitors which can accommodate only either mobile or IT products in one shop. COM7’s success has proven that size matters since with bigger store sizes, it has a greater variety of mobile, tablets and computers for its clients to choose from, while it also has space for trending new Internet of Thing (IoT)-based products.

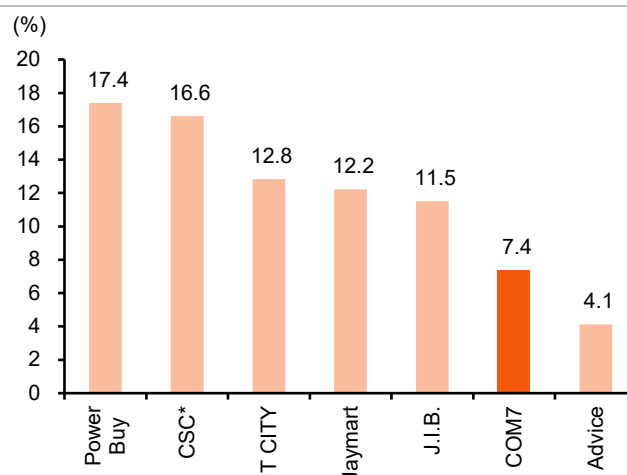
We believe the reason its competitors can’t replicate COM7’s strategy now is because the industry has finished its high-growth cycle and is heading toward a saturation point, which makes any new capex cycles for smaller rivals unjustified. For peers to change format to COM7’s format, they would have to more than double the size of each store with significant capital required to support higher inventory value.

Exhibit 9 shows the IT retailing industry’s slim net margin nature. Any mistake in new product management can cause a business to turn a loss. COM7’s past success and thus its scale enable it to have greater room to try new products and gain market share. The more market share it gains, the greater volume effect it enjoys.

Ex 7: COM7's Sales Vs. Peers'

Sources: Company data, BOL

Note: * Data as of 2021

Ex 8: COM7's SG&A Vs. Peers

Sources: Company data, BOL

Note: * Data as of 2021

Ex 9: Higher Net Margin

(%)	2015	2016	2017	2018	2019	2020	2021
COM7	1.8	2.4	2.7	3.2	3.5	3.7	4.9
Average main peers' net margin	0.3	1.0	1.7	0.6	0.8	0.4	1.8
- Advice	0.6	1.0	0.9	1.1	1.2	2.1	3.1
- CSC	0.1	na	1.3	2.2	0.7	na	na
- IT CITY	na	0.5	0.3	1.1	0.6	na	2.4
- Jaymart	-	-	3.8	na	1.3	1.2	2.6
- J.I.B.	0.3	0.2	0.3	0.4	0.7	0.8	2.5
- Power Buy	2.3	0.6	2.3	1.3	1.8	2.3	na

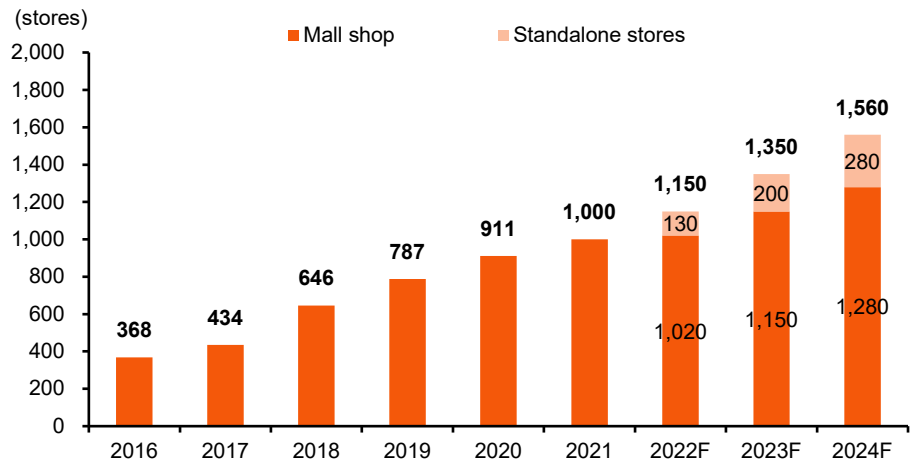
Sources: Company data, BOL

Note: na implies loss making

Store expansion: We forecast COM7 to accelerate its new store opening to 200 new stores this year (+ 17% from 1,150 stores in 2022F) from 150 stores in 2022F and 100 stores in 2020. The acceleration is despite COM7 already being the largest player. The key factor is the success of its standalone format, in our view. The company began its standalone format in 2021 at 40 stores or only 4% of COM7's total 1,000 stores. It has now reached around 10% of COM7's total stores. From 2023F, COM7 expects over half of its new stores to be the standalone format. Standalone stores have larger store size than COM7's main mall format and their rental expenses are around 50% lower. The larger store size allows COM7 to accommodate more products.

Standalone stores still generate lower profits per store than in malls but COM7 expects the trend to change in the future. Its standalone stores breakeven within a month of operation.

Ex 10: Store Expansion



Sources: Company data, Thanachart estimates

Ex 11: Standalone Stores



Source: Company data

Attractive stock matrix

Attractive BUY matrix

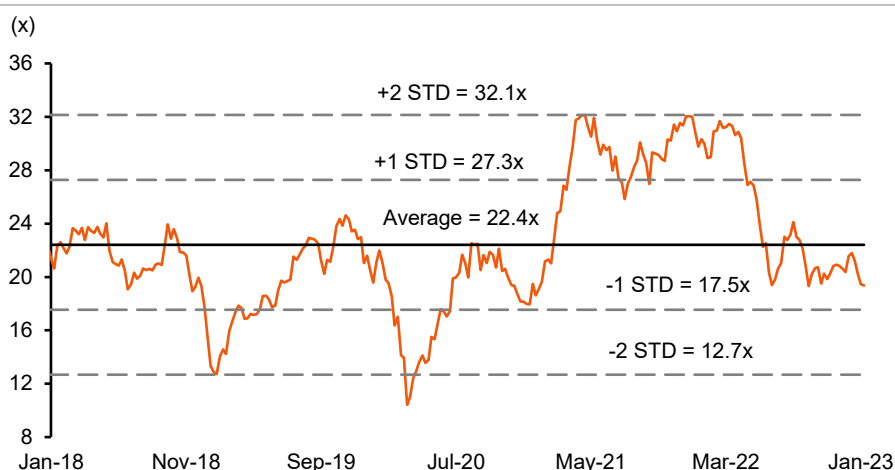
COM7's stock matrix appears attractive to us:

First, it generates strong earnings growth as mentioned earlier.

Second, the growth comes with strong profitability of a near-50% ROE level.

Third, given the growth and ROE, COM7 looks undemanding at 20x PE in 2023F.

Ex 12: PE Trend



Sources: Bloomberg, Thanachart estimates

Ex 13: Assumption Revisions

	2019	2020	2021	2022F	2023F	2024F
Sales (Bt m)						
New	33,362	37,306	51,126	62,304	70,866	79,235
Old				63,378	70,873	79,242
Change (%)				(1.7)	(0.0)	(0.0)
Gross margin (%)						
New	13.2	12.6	13.4	13.4	13.3	13.6
Old				13.4	13.3	13.6
Change (pp)				—	—	—
SG&A/sales (%)						
New	8.8	8.0	7.4	7.2	6.7	6.2
Old				7.2	6.7	6.2
Change (pp)				0.1	—	—
Normalized profit (Bt m)						
New	1,217	1,449	2,608	3,061	3,785	4,700
Old				3,156	3,766	4,680
Change (%)				(3.0)	0.5	0.4

Sources: Company data, Thanachart estimates

Ex 14: 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	5,026	6,229	7,156	7,994	8,782	9,586	10,452	11,383	12,430	13,205	14,157	—
Free cash flow	3,155	4,089	4,990	5,784	6,445	7,062	7,726	8,440	9,244	10,003	10,747	144,451
PV of free cash flow	3,146	3,453	3,832	4,067	4,150	4,163	4,170	4,172	4,184	4,145	3,923	52,733
Risk-free rate (%)	3.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	9.6											
Terminal growth (%)	2.0											
Enterprise value - add investments	96,138											
Net debt (2022F)	546											
Minority interest	14											
Equity value	95,578											
# of shares	2,400											
Target price/share (Bt)	40											

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 (x)	23F (x)	22F (x)	23F (x)	22F (x)	23F (x)	22F (%)	23F (%)
Marks & Spencer Group	MKS LN	UK	(23.2)	(11.5)	9.0	10.2	0.9	0.9	5.2	5.5	2.2	3.9
J Sainsbury	SBRY LN	UK	(14.7)	(7.1)	11.9	12.9	0.7	0.7	5.2	5.2	5.0	4.6
Tesco	TSCO LN	UK	(3.9)	(0.5)	11.7	11.8	1.2	1.2	6.7	6.7	4.3	4.2
Carrefour SA	CA FP	France	3.0	12.7	11.5	10.2	1.2	1.2	6.7	6.2	3.3	3.7
Casino Guichard	CO FP	France	(74.8)	555.1	84.6	12.9	0.5	0.5	7.1	6.5	0.0	0.0
Aeon	8267 JP	Japan	322.5	15.5	81.8	70.8	2.4	2.4	9.0	8.5	1.4	1.4
Lotte Shopping	023530 KS	S. Korea	na	210.7	42.0	13.5	0.3	0.3	9.2	9.0	3.0	3.1
Shinsegae	004170 KS	S. Korea	na	15.7	5.8	5.0	0.5	0.5	5.6	5.3	1.5	1.5
Amore Pacific Group	002790 KS	S. Korea	(44.1)	50.9	33.6	22.3	1.1	1.1	7.0	7.2	0.8	1.2
Wal-Mart Stores	WMT US	USA	(5.7)	8.0	23.3	21.6	4.9	4.5	12.4	11.6	1.6	1.6
Home Depot Inc	HD US	USA	7.4	1.2	18.8	18.6	na	na	13.5	13.5	2.4	2.6
Berli Jucker *	BJC TB	Thailand	49.1	6.9	29.7	27.8	1.3	1.3	14.3	13.7	2.5	2.7
COM7 *	COM7 TB	Thailand	17.3	23.7	24.5	19.8	10.2	8.4	16.5	13.6	1.9	4.1
CP All*	CPALL TB	Thailand	59.0	60.3	48.7	30.4	5.4	4.9	13.4	11.4	1.0	1.6
Central Pattana *	CPN TB	Thailand	152.2	30.4	37.5	28.8	4.0	3.6	21.4	17.6	1.3	1.6
Central Retail Corp. Pcl *	CRC TB	Thailand	na	48.5	41.9	28.2	4.2	3.9	11.4	9.9	1.0	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	30.3	25.8	7.9	7.3	17.0	14.9	2.6	3.1
Siam Makro *	MAKRO TB	Thailand	(35.8)	39.6	57.6	41.3	1.5	1.5	18.1	15.9	1.3	1.8
MC Group *	MC TB	Thailand	9.0	27.6	19.4	15.2	2.6	2.5	7.7	6.7	5.0	6.3
Average			29.2	55.9	32.5	22.5	2.9	2.7	11.4	10.4	2.2	2.6

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth

** MC's fiscal year ends in June

Based on 31-Jan-2023 closing prices

COMPANY DESCRIPTION

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

Source: Thanachart

COMPANY RATING



Rating Scale

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

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

O — Opportunity

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

W — Weakness

- Low-margin retail business
- Risk from obsolete inventory

T — Threat

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

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	39.33	40.00	2%
Net profit 22F (Bt m)	2,984	3,061	3%
Net profit 23F (Bt m)	3,513	3,785	8%
Consensus REC	BUY: 11	HOLD: 2	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023F earnings estimates and TP are higher than the Bloomberg consensus numbers, which we attribute to us having a more bullish view on demand for IT products.

Sources: Bloomberg consensus, Thanachart estimates

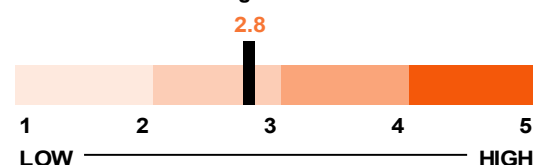
RISKS TO OUR INVESTMENT CASE

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

Source: Thanachart

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

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
COM7	YES	YES	-	-	42.81	39.59	13.30	-	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "term of use" in the following back page.

Factors	Our Comments
<p>ENVIRONMENT</p> <ul style="list-style-type: none"> Environmental Policies & Guidelines Energy Management Carbon Management Water Management Waste Management 	<ul style="list-style-type: none"> COM7 is the largest retailer of IT products in Thailand. The nature of its business doesn't create much in the way of greenhouse gas (GSG) emissions or waste from its production process. COM7 has identified key environment areas it plans to improve in, but it still hasn't set out big-picture targets for overall environmental issues. The company has geared itself toward the use of solar power products to increase renewable electricity usage. COM7's office buildings also follow the Green Building design. COM7 has implemented campaigns for employees to conserve water and its water usage has started to fall. COM7 is using more paper bags for its customers.
<p>SOCIAL</p> <ul style="list-style-type: none"> Human Rights Staff Management Health & Safety Product Safety & Quality Social Responsibility 	<ul style="list-style-type: none"> COM7 has a well-balanced work force with around 50% being female and the rest being male. COM7 has well-defined employee training programs. The company's employee turnover ratio has also fallen over the years. COM7 tries to boost employee morale by periodically giving rewards to those who have been identified as conducting good deeds. COM7 provides IT products such as computers and tablets for study for those in need, e.g., students in underdeveloped areas.
<p>GOVERNANCE & SUSTAINABILITY</p> <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation 	<ul style="list-style-type: none"> COM7 has a seven-member board of directors (BOD) which we consider appropriate for the company's size and the scope of its business. Of the seven members, there are two independent directors. Also, there are only two women directors. Although it only offers IT products, COM7's products are highly diversified in terms of function, e.g., computers, tablets, smartphones, and other lifestyle gadgets. COM7 has been diversifying into the pharmaceutical, home appliance, motorcycle financing, and debt-management businesses. The company has yet to reveal a succession plan.

Source: Thanachart

INCOME STATEMENT

*Strong sales growth
despite the COVID crisis*

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	37,306	51,126	62,304	70,866	79,235
Cost of sales	32,596	44,281	53,952	61,436	68,457
Gross profit	4,710	6,846	8,352	9,430	10,778
% gross margin	12.6%	13.4%	13.4%	13.3%	13.6%
Selling & administration expenses	2,986	3,761	4,511	4,721	4,922
Operating profit	1,724	3,084	3,841	4,709	5,856
% operating margin	4.6%	6.0%	6.2%	6.6%	7.4%
Depreciation & amortization	630	787	726	804	886
EBITDA	2,354	3,872	4,567	5,513	6,742
% EBITDA margin	6.3%	7.6%	7.3%	7.8%	8.5%
Non-operating income	47	28	34	39	44
Non-operating expenses	0	0	0	0	0
Interest expense	(53)	(48)	(90)	(54)	(55)
Pre-tax profit	1,718	3,065	3,785	4,694	5,844
Income tax	328	555	776	962	1,198
After-tax profit	1,390	2,510	3,009	3,732	4,646
% net margin	3.7%	4.9%	4.8%	5.3%	5.9%
Shares in affiliates' Earnings	64	96	50	51	52
Minority interests	(4)	2	2	2	2
Extraordinary items	41	22	0	0	0
NET PROFIT	1,491	2,630	3,061	3,785	4,700
Normalized profit	1,449	2,608	3,061	3,785	4,700
EPS (Bt)	0.6	1.1	1.3	1.6	2.0
Normalized EPS (Bt)	0.6	1.1	1.3	1.6	2.0

*Multi-year strong
earnings growth, based
on our estimates*

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	5,861	11,886	12,225	13,970	16,802
Cash & cash equivalent	1,121	1,851	1,000	1,400	3,000
Account receivables	864	2,707	3,299	3,753	4,196
Inventories	3,664	6,208	7,564	8,445	9,222
Others	211	1,120	362	373	384
Investments & loans	675	774	872	971	1,070
Net fixed assets	506	615	772	896	984
Other assets	2,165	2,691	2,657	2,522	2,355
Total assets	9,207	15,966	16,527	18,359	21,211
LIABILITIES:					
Current liabilities:	4,430	9,751	8,706	9,027	10,554
Account payables	2,464	5,106	6,221	7,168	7,987
Bank overdraft & ST loans	1,283	3,801	1,312	1,003	2,086
Current LT debt	0	0	0	0	0
Others current liabilities	683	844	1,173	856	480
Total LT debt	708	677	234	179	372
Others LT liabilities	198	237	225	256	287
Total liabilities	5,336	10,665	9,165	9,462	11,212
Minority interest	19	16	14	14	12
Preferred shares	0	0	0	0	0
Paid-up capital	300	300	600	600	600
Share premium	899	899	899	899	899
Warrants	0	0	0	0	0
Surplus	(15)	(14)	(14)	(14)	(14)
Retained earnings	2,668	4,100	5,862	7,397	8,501
Shareholders' equity	3,852	5,285	7,348	8,882	9,986
Liabilities & equity	9,207	15,966	16,527	18,359	21,211

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	1,718	3,065	3,785	4,694	5,844
Tax paid	(276)	(433)	(750)	(898)	(1,165)
Depreciation & amortization	630	787	726	804	886
Chg In working capital	332	(1,745)	(833)	(387)	(401)
Chg In other CA & CL / minorities	492	(71)	342	(339)	(368)
Cash flow from operations	2,896	1,604	3,270	3,875	4,796
Capex	(28)	(292)	(400)	(420)	(440)
Right of use	(1,718)	(514)	(100)	(100)	(100)
ST loans & investments	36	(725)	769	0	0
LT loans & investments	(162)	(99)	(99)	(99)	(99)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(46)	(558)	(360)	(242)	(237)
Cash flow from investments	(1,917)	(2,187)	(190)	(860)	(876)
Debt financing	(149)	2,510	(2,932)	(364)	1,277
Capital increase	0	0	300	0	0
Dividends paid	(960)	(1,199)	(1,298)	(2,250)	(3,596)
Warrants & other surplus	(52)	1	0	0	0
Cash flow from financing	(1,161)	1,312	(3,931)	(2,614)	(2,320)
Free cash flow	2,868	1,312	2,870	3,455	4,356

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	51.7	28.8	24.5	19.8	16.0
Normalized PE - at target price (x)	66.2	36.8	31.4	25.4	20.4
PE (x)	50.3	28.5	24.5	19.8	16.0
PE - at target price (x)	64.4	36.5	31.4	25.4	20.4
EV/EBITDA (x)	32.2	20.0	16.5	13.6	11.0
EV/EBITDA - at target price (x)	41.1	25.5	21.1	17.4	14.2
P/BV (x)	19.5	14.2	10.2	8.4	7.5
P/BV - at target price (x)	24.9	18.2	13.1	10.8	9.6
P/CFO (x)	25.9	46.8	22.9	19.4	15.6
Price/sales (x)	2.0	1.5	1.2	1.1	0.9
Dividend yield (%)	1.6	1.6	1.9	4.1	5.5
FCF Yield (%)	3.8	1.7	3.8	4.6	5.8
(Bt)					
Normalized EPS	0.6	1.1	1.3	1.6	2.0
EPS	0.6	1.1	1.3	1.6	2.0
DPS	0.5	0.5	0.6	1.3	1.7
BV/share	1.6	2.2	3.1	3.7	4.2
CFO/share	1.2	0.7	1.4	1.6	2.0
FCF/share	1.2	0.5	1.2	1.4	1.8

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	11.8	37.0	21.9	13.7	11.8
Net profit (%)	22.6	76.5	16.4	23.7	24.2
EPS (%)	22.6	76.5	16.4	23.7	24.2
Normalized profit (%)	19.1	80.0	17.3	23.7	24.2
Normalized EPS (%)	19.1	80.0	17.3	23.7	24.2
Dividend payout ratio (%)	80.5	45.6	45.6	82.0	87.0
Operating performance					
Gross margin (%)	12.6	13.4	13.4	13.3	13.6
Operating margin (%)	4.6	6.0	6.2	6.6	7.4
EBITDA margin (%)	6.3	7.6	7.3	7.8	8.5
Net margin (%)	3.7	4.9	4.8	5.3	5.9
D/E (incl. minor) (x)	0.5	0.8	0.2	0.1	0.2
Net D/E (incl. minor) (x)	0.2	0.5	0.1	(0.0)	(0.1)
Interest coverage - EBIT (x)	32.4	64.4	42.5	87.5	105.8
Interest coverage - EBITDA (x)	44.3	80.9	50.5	102.4	121.8
ROA - using norm profit (%)	15.8	20.7	18.8	21.7	23.8
ROE - using norm profit (%)	40.1	57.1	48.5	46.6	49.8
DuPont					
ROE - using after tax profit (%)	38.5	54.9	47.6	46.0	49.2
- asset turnover (x)	4.1	4.1	3.8	4.1	4.0
- operating margin (%)	4.7	6.1	6.2	6.7	7.4
- leverage (x)	2.5	2.8	2.6	2.1	2.1
- interest burden (%)	97.0	98.5	97.7	98.9	99.1
- tax burden (%)	80.9	81.9	79.5	79.5	79.5
WACC (%)	8.8	8.8	8.8	8.8	8.8
ROIC (%)	33.1	53.5	38.6	47.4	53.7
NOPAT (Bt m)	1,395	2,526	3,054	3,744	4,655
invested capital (Bt m)	4,721	7,913	7,894	8,664	9,444

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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80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
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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.

Thanachart Securities Pcl.

Research Team

18 Floor, MBK Tower

444 Phayathai Road, Pathumwan Road, Bangkok 10330

Tel: 662 - 779-9119

Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA

Head of Research

Tel: 662-779-9199

pimpaka.nic@thanachartsec.co.th

Pattarawan Wangmingmat

Senior Technical Analyst

Tel: 662-779-9105

pattarawan.wan@thanachartsec.co.th

Phannarai Tiyapittayarut

Property, Retail

Tel: 662-779-9109

phannarai.von@thanachartsec.co.th

Sarachada Sornsong

Bank, Finance

Tel: 662-779-9106

sarachada.sor@thanachartsec.co.th

Witchanan Tambamroong

Technical Analyst

Tel: 662-779-9123

witchanan.tam@thanachartsec.co.th

Adisak Phupiphathirungul, CFA

Retail Market Strategy

Tel: 662-779-9120

adisak.phu@thanachartsec.co.th

Nuttapop Prasitsuksant

Telecom, Utilities

Tel: 662-483-8296

nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom

Auto, Industrial Estate, Media, Prop. Fund

Tel: 662-483-8297

rata.lim@thanachartsec.co.th

Siriporn Arunothai

Small Cap, Healthcare, Hotel

Tel: 662-779-9113

siriporn.aru@thanachartsec.co.th

Sittichet Rungrassameephat

Analyst, Quantitative

Tel: 662-483-8303

sittichet.run@thanachartsec.co.th

Chak Reungsinpinya

Strategy, Insurance, Paper

Tel: 662-779-9104

chak.reu@thanachartsec.co.th

Pattadol Bunnak

Electronics, Food & Beverage, Shipping

Tel: 662-483-8298

pattadol.bun@thanachartsec.co.th

Saksid Phadthananarak

Construction, Transportation

Tel: 662-779-9112

saksid.pha@thanachartsec.co.th

Yupapan Polpornprasert

Energy, Petrochemical

Tel: 662-779-9110

yupapan.pol@thanachartsec.co.th

Thaloengsak Kucharoenpaisan

Analyst, Retail Market

Tel: 662-483-8304

thaloengsak.kuc@thanachartsec.co.th