

BUY (Unchanged)

Change in Numbers

TP: Bt 17.00

Upside : 25.0%

(From: Bt 20.00)

1 FEBRUARY 2023

PTG Energy Pcl. (PTG TB)

Toughing it out

We reaffirm our BUY call on PTG but cut our TP to Bt17 from Bt20 due to headwinds, including margin pressure and rising wage costs. We believe PTG remains attractive at 19x/16x 2023/24F PE, which is below its long-term average of 22x despite these years seeing unusually low marketing margins.

**CHAK REUNGSINPINYA**

662-779-9104

chak.reu@thanachartsec.co.th

Still a BUY despite headwinds

We believe PTG is still a BUY despite near-term headwinds. Firstly, the current low margin is likely to be unsustainable as it implies nearly zero profit for oil retailers and their dealers. Secondly, valuation has come down below its long-term averages, both in terms of PE and EV/EBITDA. This implies that the near-term headwinds are already priced in. Lastly, we see several positive drivers which we think are sustainable, including strong market share gains and volume growth in its LPG business. We see easing margin pressure in 2H23F as a key positive catalyst.

Margin squeeze could last 6-7 months

We believe oil marketing margins will remain under pressure for some time and cut our margin assumptions by Bt0.02-0.04/liter in 2022-25F. Currently, the government is collecting about Bt4 from every liter of diesel sold to pay back the oil fund's debt. At about 2.4bn liters of consumption a month, we estimate it would take at least another six to seven months to pay back the oil fund's deficit, which stood at Bt68bn at the end of January. The large oil fund contribution pushes up the wholesale cost for oil retailers even while the diesel retail price is capped at Bt34.94/liter. Among all the operators, PTG is most vulnerable to a margin squeeze as the company operates almost solely on a COCO model whereby it keeps all the margin but also carries all costs.

Mounting cost pressure

We expect cost pressure to start mounting and potentially accelerate from 4Q22F onwards. This is due mostly to wage cost pressure. Thailand's average wage growth accelerated to 5-6% y-y in 9M22 compared to 1-2% p.a. in 2018-21. Given that wage costs make up over 40% of total operating costs and PTG's margin is relatively thin, we estimate a 5% increase in wage costs could reduce profit by as much as 15%. With the recent minimum wage hike (effective October 2022) and tightening labor market, we think PTG's SG&A could continue to rise at quickly in 2023F.

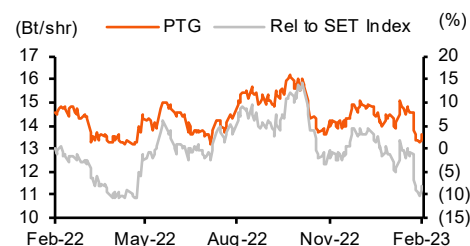
A mixed picture for other businesses

PTG continues to make good strides in its LPG business with volume growth likely to exceed 50% in 2022F. We expect growth to slow down in 2023F given the high base effect but remain robust at 12%. On the other hand, PTG's equity income, which comprises mostly the contribution from its 40% stake in a palm oil complex, is likely to remain under pressure. That business is seeing a margin squeeze due to increased competition and could remain loss-making in 4Q22F-1H23F. However, with further demand growth, we expect profits there to normalize in 2H23F.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	134,088	193,584	187,962	186,436
Net profit	1,006	945	1,177	1,372
Consensus NP	—	1,034	1,429	1,662
Diff frm cons (%)	—	(8.6)	(17.6)	(17.5)
Norm profit	1,006	945	1,177	1,372
Prev. Norm profit	—	1,517	1,809	1,857
Chg frm prev (%)	—	(37.7)	(34.9)	(26.1)
Norm EPS (Bt)	0.6	0.6	0.7	0.8
Norm EPS grw (%)	(45.8)	(6.1)	24.5	16.5
Norm PE (x)	22.6	24.0	19.3	16.6
EV/EBITDA (x)	5.8	7.1	6.2	5.5
P/BV (x)	2.8	2.6	2.5	2.3
Div yield (%)	1.8	2.1	2.6	3.0
ROE (%)	12.6	11.3	13.2	14.3
Net D/E (%)	93.0	206.8	182.6	159.9

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Feb-23 (Bt)	13.60
Market Cap (US\$ m)	691.6
Listed Shares (m shares)	1,670.0
Free Float (%)	58.2
Avg. Daily Turnover (US\$ m)	5.9
12M Price H/L (Bt)	16.20/13.20
Sector	Energy
Major Shareholder	Ratchakij Holding Ltd. 25.12%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P9



Still a BUY despite headwinds

Our earnings cuts center on a margin squeeze and cost pressure

We reaffirm our BUY rating on PTG Energy Pcl (PTG) despite potential near-term headwinds, including a margin squeeze and cost pressure. We believe our numbers now sufficiently price in these risks, especially for margin as current levels already imply very little profit for any gas station operator and its dealers. On the positive side, PTG's strong LPG sales growth is helping to cushion earnings pressure on its oil retail side.

Ex 1: Key Assumption Changes

Assumption	Unit	2022F	2023F	2024F	2025F
Marketing margin					
New	(Bt/liter)	1.73	1.80	1.83	1.83
Old	(Bt/liter)	1.77	1.84	1.85	1.85
Change	(Bt/liter)	(0.04)	(0.04)	(0.02)	(0.02)
SG&A					
New	(Bt m)	9,015	9,696	10,002	10,213
Old	Bt m	8,485	8,809	9,048	9,360
Change	(Bt m)	6.2	10.1	10.6	9.1
LPG sales volume					
New	(m liters)	460	515	541	557
Old	(m liters)	327	372	391	411
Change	(%)	40.9	38.6	38.4	35.5

Sources: Company data, Thanachart estimates

Given the above changes, we cut our earnings by 23-38% in 2022-25F. We also lower our DCF-based 12-month TP, using a 2023F base year, to Bt17/share from Bt20. However, we maintain our positive view on PTG. We think margin pressure will likely ease in 2H23F, which would be a catalyst for the stock.

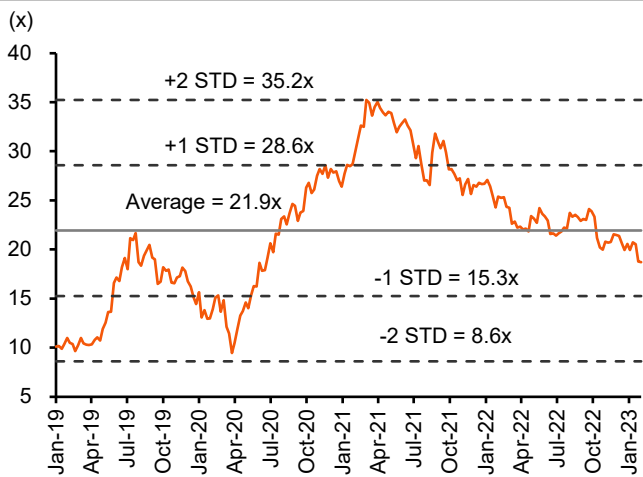
Ex 2: Earnings And TP Revisions

(Bt/shr)	Norm EPS				TP
	2022F	2023F	2024F	2025F	
New	0.57	0.70	0.82	0.82	17.00
Old	0.91	1.08	1.11	1.06	20.00
Change (%)	(37.7)	(34.9)	(26.1)	(22.9)	(15.0)

Sources: Company data, Thanachart estimates

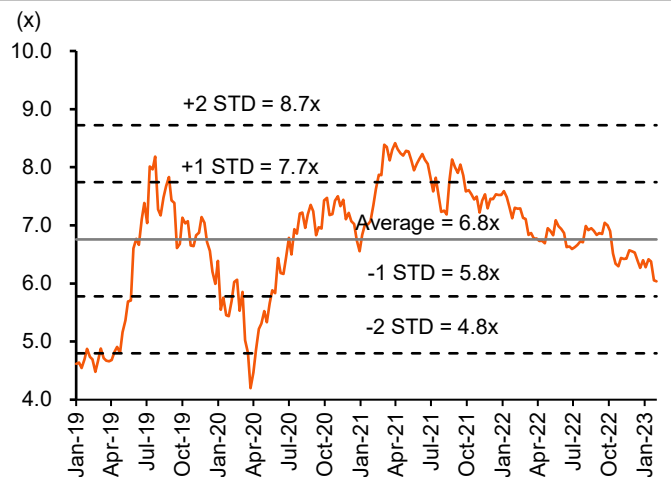
In terms of valuation, the stock is trading below its long-term P/E and EV/EBITDA averages despite our sharp earnings downgrades. This likely implies that the recent share price correction has largely reflected the near-term headwinds.

Ex 3: PTG PE



Sources: Bloomberg data; Thanachart estimates

Ex 4: PTG EV/EBITDA



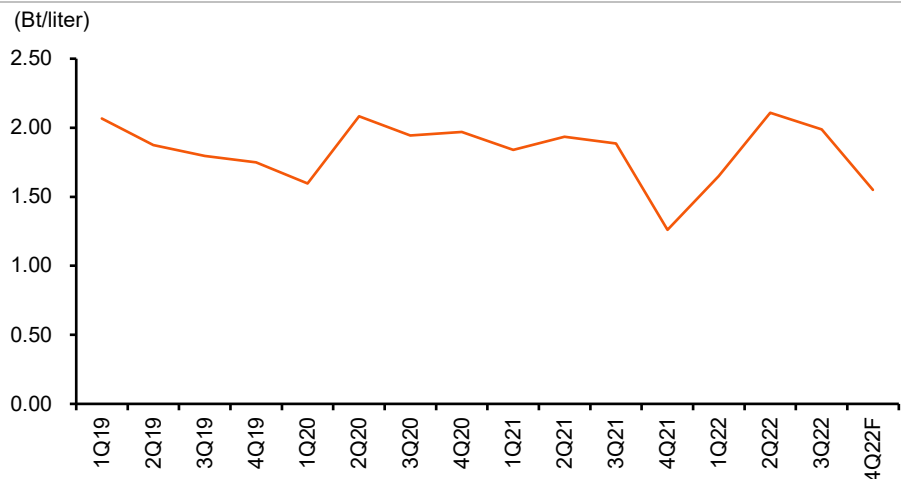
Sources: Bloomberg data; Thanachart estimates

Margin pressure could last 6-7 months

PTG is seeing a lower-than-normal margin of Bt1.5-1.6/liter. This could last six to seven months

We expect PTG’s oil marketing margin to remain under pressure for at least another six to seven months, extending the weak period that started in 4Q22. During that quarter, we estimate marketing margin to be only Bt1.5-1.6/liter, falling from around Bt2/liter in 2Q-3Q22F and well below the normal level of Bt1.8-1.9/liter.

Ex 5: PTG’s Oil Marketing Margin

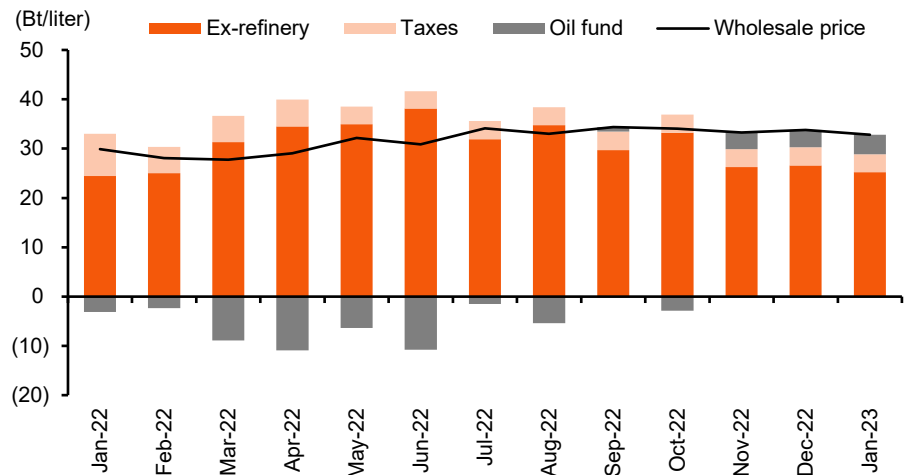


Sources: Company data, Thanachart estimates

Government requires an oil fund contribution of Bt4 for every liter of diesel sold

The key reason for the weak marketing margin despite the falling refined product price (which in prior times would typically lead to higher margin) is the increased oil fund contribution. The government has been raising the required contribution that every liter of fuel sold must pay back to the oil fund. This marked a reversal from the subsidy period that began in January 2022 and lasted until October 2022. During that period, the subsidy reached over Bt10/liter for diesel as global diesel prices skyrocketed and the government tried to maintain a capped pump price. In those 10 months, the oil fund accumulated over Bt100bn in losses — more than all the subsidy in the previous three years combined.

Ex 6: Wholesale Diesel Price Breakdown

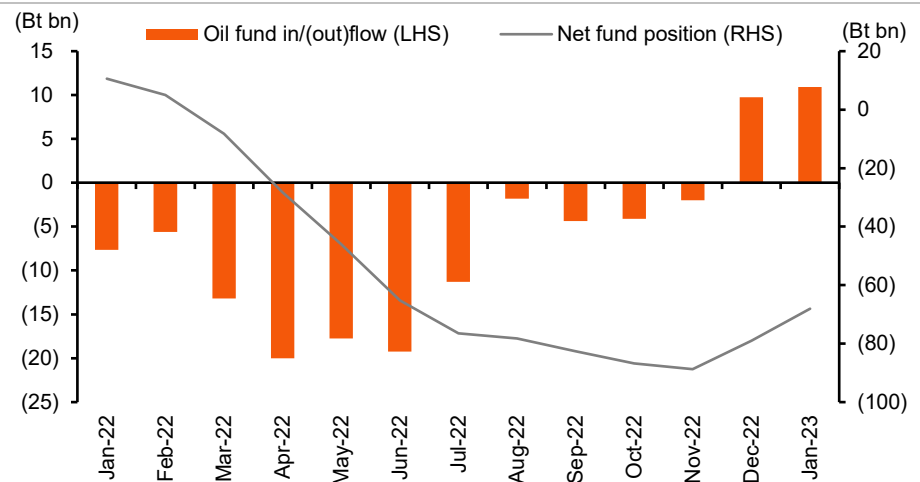


Sources: EPPO, Thanachart estimates

We estimate it will take six to seven months to fully pay back the oil fund debt

Given that the oil fund's subsidy is not funded from the government's budget but rather with borrowed money, its deficit must be paid back in future periods when oil prices fall. Since late October, the government has decided to accelerate the payback process. Now, instead of a subsidy, every liter of diesel sold must pay back roughly Bt4/liter to the oil fund. With this elevated oil fund contribution, the wholesale fuel price (essentially the cost to oil retailers) is pushed up. At the same time, the diesel pump price is capped at Bt34.94/liter. This means a squeeze on oil retailers' marketing margins. We estimate that at the current pace of consumption, it would take another six to seven months to fully pay back the oil fund's deficit of Bt68bn (as of the end of January).

Ex 7: Oil Fund In And Outflows Vs. Net Fund Position



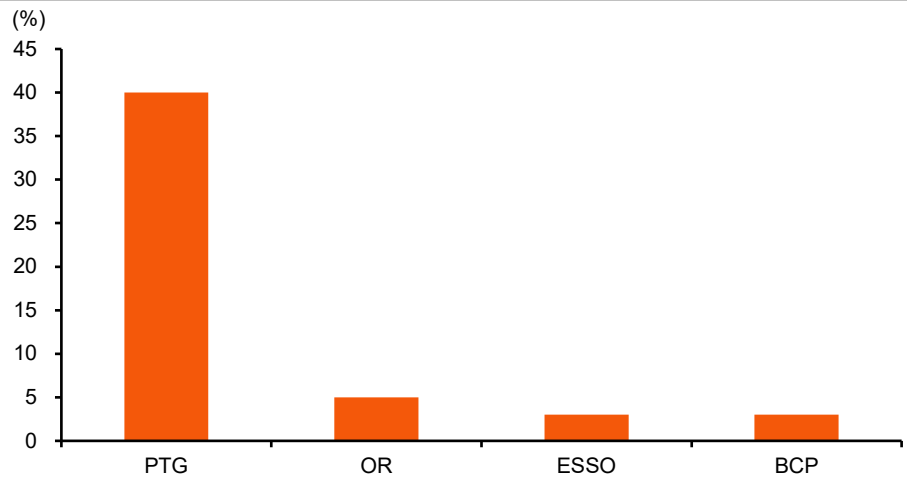
Sources: OFFO, Thanachart estimates

PTG is highly vulnerable to a margin squeeze given its heavy oil retail reliance

Among oil retailers, PTG is the most vulnerable to any margin squeeze as the company relies solely on the COCO (company-owned, company-operated) model, whereby it receives the full marketing margin (instead of having to share with dealers) but also carries all the operating costs. By contrast, oil retail peers such as PTT Oil & Retail (OR TB, Bt22.3, SELL), Bangchak Petroleum (BCP TB, Bt37.0, HOLD), and Esso Thailand (ESSO TB, Bt9.3, BUY) rely mostly on dealer networks for their fuel distribution. This means that the margin is shared between oil companies and their dealers, and any change in margin has a much lower impact on the oil companies. Additionally, these peers have other

businesses such as refineries, making the oil retail contribution a much smaller part of total profit. We estimate that a Bt0.1/liter change in retail marketing margin impacts PTG's bottom line by 40% compared to only 3-5% for the other three operators mentioned above.

Ex 8: Earnings Sensitivity To A Bt0.1/Liter Change In Retail Marketing Margin



Sources: Company data, Thanachart estimates

Note: For OR, ESSO, and BCP (all of which rely mostly on dealers), a Bt0.1/liter change at the pump implies about a Bt0.05/liter impact to their operation

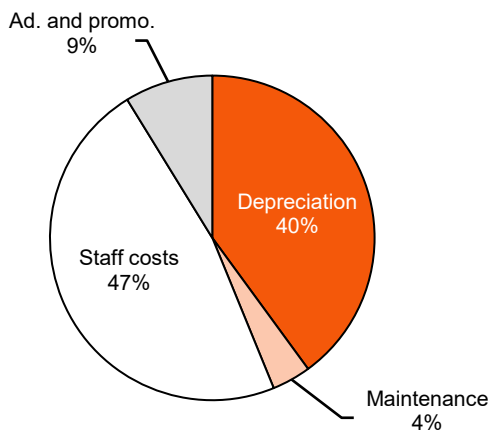
Mounting cost pressure

Rising labor costs to drive SG&A higher

Another factor likely to pressure PTG this year is mounting cost pressure, particularly on staff costs. We began to see SG&A growth accelerating in 9M22 (+15% y-y) compared to -1% and +6% growth in 2020 and 2021, respectively. While some of this increase is likely due to expansion and volume growth, we also think it was driven in large part by accelerating wage growth. Based on data from the Bank of Thailand, overall wage growth accelerated to about 5-6% y-y in 9M22 compared to 1-2% p.a. in 2018-21. Given that staff costs make up over 40% of PTG's total operating costs, wage growth is likely to be one of the key culprits in driving up SG&A in 9M22.

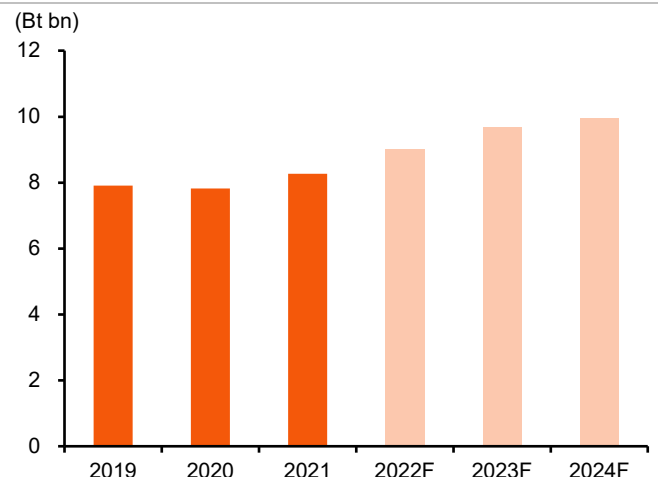
Looking forward, with the minimum wage hike effective in October 2022 and a further tightening of the labor market, we expect cost increases to remain a key headwind in 2023F. This will likely further pressure PTG's bottom line despite a potentially higher marketing margin in 2H23F.

Ex 9: PTG's Cost Breakdown (2021A)



Sources: Company data; Thanachart

Ex 10: SG&A Growth Could Accelerate In 2022-23F



Sources: Company data; Thanachart estimates

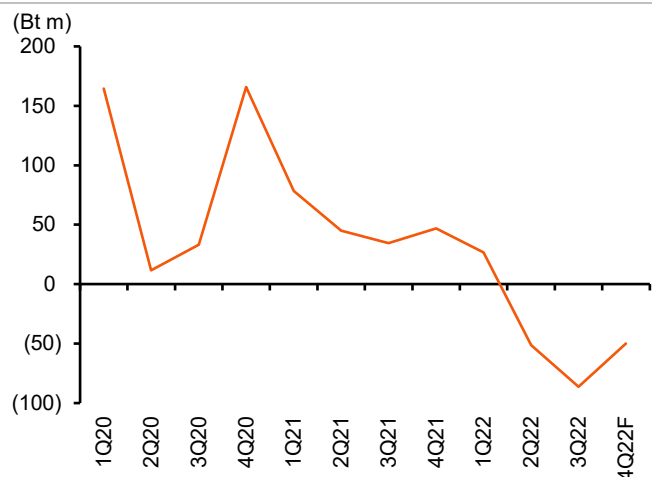
A mixed picture for other businesses

Strong LPG growth is offset by weakness in the palm oil complex contribution

We see a mixed picture for PTG's non-core businesses. On the one hand, the company continues to gain market share in the LPG business with volume growth likely to exceed 50% in 2022F. We expect growth to slow down in 2023F given the high base effect but remain robust at 12%. We view the LPG business as attractive given its relatively stable retail margin and cost synergies with PTG's existing oil retail business. As such, the unit is likely to remain a significant growth driver in the future.

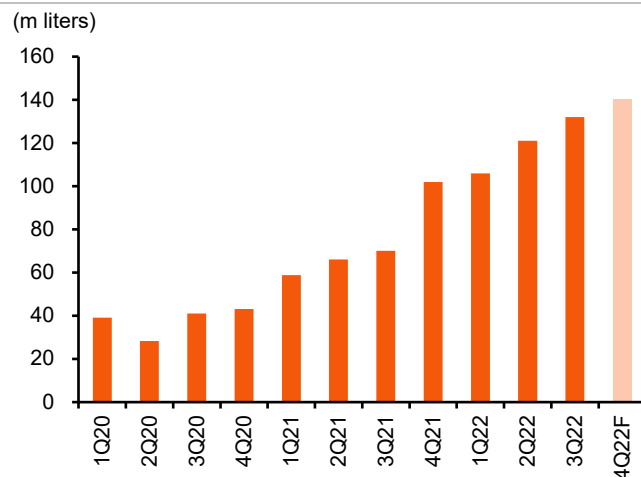
On the other hand, PTG's equity income, which comprises mostly the contribution from its 40% stake in a palm oil complex, is likely to remain under pressure. That business, which produces B100 biodiesel for blending, is experiencing a margin squeeze because of increased competition. The unit could remain loss-making in 4Q22F-1H23F. However, with further demand growth and a higher biodiesel blending requirement, we expect competition to lessen and profit to normalize in 2H23F. Management guides for a normal profit of Bt200-250m p.a.

Ex 11: PTG's Equity Income



Sources: Company data; Thanachart estimates

Ex 12: LPG Sales Volume



Sources: Company data; Thanachart estimates

Ex 13: 12-month DCF-based Valuation, Using a Base Year Of 2023F

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA	7,121	7,333	7,571	7,812	8,054	8,177	8,295	8,408	8,516	8,619	
Free cash flow	2,890	3,390	4,294	4,439	4,581	4,557	4,580	4,592	4,594	4,584	86,581
PV of free cash flow	2,700	2,961	3,485	3,360	3,234	3,001	2,814	2,593	2,415	2,243	42,376
Risk-free rate (%)	2.5										
Market risk premium (%)	8.0										
Beta	1.1										
WACC (%)	7.0										
Terminal growth (%)	2.0										
Enterprise value - add investments	71,184										
Net debt	41,989										
Minority interest	134										
Equity value	29,060										
# of shares (m)	1,670										
Equity value/share (Bt)	17										

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 14: Comparison With Regional Peers

Company	Code	Country	EPS Growth		PE		P/BV		EV/EBITDA		Div. Yield		ROE	
			22F (%)	23F (%)	22F (x)	23F (x)	22F (x)	23F (x)	22F (x)	23F (x)	22F (%)	23F (%)	22F (%)	23F (%)
Refining & Marketing														
Ampol	ALD AU	Australia	107.7	(15.0)	9.5	11.1	2.0	1.9	6.8	7.2	6.7	5.6	22.4	17.9
BPCL	BPCL IN	India	(0.3)	(82.1)	7.2	40.1	1.3	1.4	8.8	14.8	7.6	2.7	18.8	6.0
HPCL	HPCL IN	India	(12.6)	(100.0)	5.1	na	0.8	1.1	9.3	na	7.4	2.7	17.2	na
IOCL	IOCL IN	India	65.8	(84.5)	4.5	28.7	0.9	0.8	6.0	11.4	9.6	4.3	19.3	4.0
Reliance Industries	RIL IN	India	31.2	16.0	25.7	22.2	2.0	1.8	17.0	13.3	0.4	0.4	8.0	8.4
SK Energy	096770 KS	S.Korea	na	(22.6)	6.5	8.4	0.8	0.7	4.8	6.0	2.5	2.1	13.2	8.3
S-OIL	010950 KS	S.Korea	54.6	(27.4)	4.4	6.1	1.2	1.0	3.4	5.0	6.9	5.2	29.6	18.7
Petron	PCOR PM	Philippines	na	na	na	na	na	na	na	na	na	na	na	na
Formosa Petrochemical	6505 TT	Taiwan	(44.8)	20.4	27.6	23.0	2.3	2.2	19.5	15.2	2.7	3.1	8.0	8.7
Bangchak *	BCP TB	Thailand	211.0	(50.4)	3.6	7.2	0.8	0.7	2.9	5.3	4.9	4.2	23.8	10.3
ESSO (Thailand) *	ESSO TB	Thailand	703.0	(48.3)	3.1	6.1	1.2	1.1	3.2	4.9	12.8	8.3	44.1	18.7
IRPC Pcl *	IRPC TB	Thailand	(70.7)	489.1	54.9	9.3	0.7	0.7	12.1	7.0	4.9	5.4	1.3	7.3
PTT Oil And Retail *	OR TB *	Thailand	27.8	(14.0)	19.0	22.1	2.4	2.2	10.1	11.0	1.5	1.3	13.4	10.5
PTG Pcl *	PTG TB	Thailand	(6.1)	24.5	24.0	19.3	2.6	2.5	7.1	6.2	2.1	2.6	11.3	13.2
PTT Global Chemicals *	PTTGC TB	Thailand	(25.3)	(17.5)	10.7	12.9	0.7	0.7	9.0	8.6	1.5	3.7	6.8	5.6
Star Petroleum Refining *	SPRC TB	Thailand	688.2	(34.4)	5.5	8.4	1.2	1.2	3.7	4.4	10.4	6.0	24.4	14.5
SUSCO Pcl	SUSCO TB	Thailand	64.0	12.2	10.3	9.2	1.0	0.9	5.7	4.8	5.8	6.5	9.7	10.5
Thai Oil *	TOP TB	Thailand	416.8	(48.3)	4.2	8.1	0.8	0.8	5.5	10.5	5.1	5.2	20.8	9.6
Average			138.1	1.0	13.3	15.1	1.3	1.3	7.9	8.5	5.5	4.1	17.2	10.8
Integrated oils														
PetroChina	857 HK	China	57.9	(14.4)	5.3	6.2	0.6	0.5	2.9	3.0	8.7	7.2	10.9	8.7
Sinopec	386 HK	China	(2.5)	0.9	7.4	7.3	0.7	0.6	3.9	3.7	8.8	8.7	9.0	8.7
Total	FP	France	124.8	(19.1)	na	na	na	na	na	na	na	na	27.1	20.4
Eni	ENI IM	Italy	na	(25.3)	3.8	5.0	0.9	0.8	2.2	2.6	6.2	6.3	26.4	15.4
Repsol	REP SM	Spain	183.5	(29.6)	3.6	5.1	0.8	0.7	2.2	2.7	4.4	4.7	23.9	13.2
Chevron Texaco	CVX US	USA	122.8	(18.3)	9.1	11.1	2.1	2.0	5.0	5.7	3.3	3.4	24.5	18.2
Exxon Mobil	XOM US	USA	165.7	(23.5)	8.3	10.9	2.5	2.3	4.8	5.9	3.1	3.2	31.3	21.2
Conoco Philips	COP US	USA	128.3	(14.7)	8.8	10.4	3.2	2.8	4.4	5.3	2.0	2.0	37.9	27.2
PTT Pcl *	PTT TB	Thailand	18.6	(20.9)	9.0	11.4	0.9	0.9	4.3	4.2	6.0	6.0	10.3	7.9
Average			99.9	(18.3)	6.9	8.4	1.4	1.3	3.7	4.2	5.3	5.2	22.4	15.7
Exploration and Production														
Santos	STO AU	Australia	94.1	(16.3)	8.9	10.6	1.5	1.4	3.5	4.2	2.8	3.2	18.5	12.9
Woodside	WDS AU	Australia	133.9	(27.4)	9.6	13.2	1.9	1.9	4.3	4.3	7.6	5.7	24.2	16.9
Suncor Energy	SU US	Canada	na	(22.6)	4.2	5.4	1.2	1.1	3.3	4.1	5.4	6.0	29.3	20.8
ONGC	ONGC IN	India	na	12.1	4.2	3.7	0.7	0.6	3.8	3.3	8.7	10.4	18.6	17.6
RIL	RIL IN	India	31.2	16.0	25.7	22.2	2.0	1.8	17.0	13.3	0.4	0.4	8.0	8.4
Apache	APA US	USA	100.6	(8.5)	5.4	5.9	na	8.2	3.1	3.4	1.4	2.3	na	na
Devon Energy	DVN US	USA	150.3	(5.3)	7.5	7.9	3.8	3.2	4.8	5.0	2.1	2.2	53.7	41.9
PTTEP *	PTTEP TB	Thailand	111.5	(27.4)	7.6	10.4	1.5	1.3	2.8	3.5	5.3	4.0	20.6	13.4
Average			103.6	(9.9)	9.1	9.9	1.8	2.4	5.3	5.1	4.2	4.3	24.7	18.9

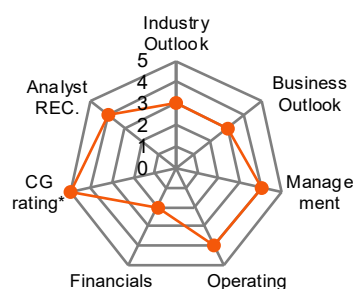
Sources: Bloomberg, * Thanachart estimates
Based on 1 February 2023 closing prices

COMPANY DESCRIPTION

PTG Energy Pcl (PTG) has six core business segments: 1) Fuel retailing through PT petrol stations, mostly under the company-owned and company-operated (COCO) model. 2) Fuel wholesaling to other oil traders and industrial operators. 3) LPG retailing through PT petrol stations (also COCO). 4) Minimart and coffee-shop businesses under the names Max Mart and Pun Thai Coffee. 5) Sales of other automotive-related products. 6) Rental of space at its COCO petrol stations. The company is now expanding its non-oil business portion via investments and M&As to utilize its strong brand recognition and large customer base to grow profits.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG Awards

Rating Scale

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

THANACHART'S SWOT ANALYSIS

S — Strength

- Owns and self-operates most of its PT gas stations
- Manages its own logistics and oil tank operations
- Extensive station coverage with an asset-light model

O — Opportunity

- Gaining market share from independent gas stations
- Investments in energy-related and automotive-related businesses

W — Weakness

- Stations operate under rental contracts
- Second-tier target market generates lower non-oil income
- Aggressive expansion is financed with debt

T — Threat

- Risk of being unable to find good-quality stations
- Government intervention to lower the oil retail margin
- Risk from new investments and M&As

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	15.91	17.00	7%
Net profit 22F (Bt m)	1,034	945	-9%
Net profit 23F (Bt m)	1,429	1,177	-18%
Consensus REC	BUY: 8	HOLD: 4	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F earnings are 9% and 18% below the Bloomberg consensus numbers, which we attribute to us factoring in a potential margin squeeze and cost pressure.
- However, our TP is 7% higher, likely as we expect these headwinds to ease over time.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- A sharp increase in oil prices would be the key downside risk to our earnings forecasts.
- Lower-than-expected expansion in marketing margins ahead would present a secondary downside risk to our earnings estimates.
- The outcome of its future investments and M&A activity would also present a risk to our numbers.

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	104,666	134,088	193,584	187,962	186,436
Cost of sales	93,824	123,627	182,071	175,386	173,016
Gross profit	10,842	10,461	11,513	12,575	13,420
% gross margin	10.4%	7.8%	5.9%	6.7%	7.2%
Selling & administration expenses	7,820	8,271	9,010	9,692	9,999
Operating profit	3,023	2,190	2,503	2,883	3,421
% operating margin	2.9%	1.6%	1.3%	1.5%	1.8%
Depreciation & amortization	2,880	3,024	3,243	3,578	3,700
EBITDA	5,903	5,214	5,746	6,461	7,121
% EBITDA margin	5.6%	3.9%	3.0%	3.4%	3.8%
Non-operating income	0	0	0	0	0
Non-operating expenses	0	0	0	0	0
Interest expense	(1,104)	(1,118)	(1,103)	(1,519)	(1,938)
Pre-tax profit	1,919	1,073	1,400	1,365	1,483
Income tax	425	261	280	273	297
After-tax profit	1,494	812	1,120	1,092	1,186
% net margin	1.4%	0.6%	0.6%	0.6%	0.6%
Shares in affiliates' Earnings	376	205	(160)	100	200
Minority interests	(12)	(10)	(15)	(15)	(15)
Extraordinary items	37	0	0	0	0
NET PROFIT	1,894	1,006	945	1,177	1,372
Normalized profit	1,857	1,006	945	1,177	1,372
EPS (Bt)	1.1	0.6	0.6	0.7	0.8
Normalized EPS (Bt)	1.1	0.6	0.6	0.7	0.8

*Earnings under pressure
in 2022-23F due to low
marketing margin*

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	3,859	4,859	5,306	5,211	5,227
Cash & cash equivalent	942	1,701	753	818	887
Account receivables	503	722	1,061	1,030	1,022
Inventories	2,088	2,239	3,492	3,364	3,318
Others	326	196	0	0	0
Investments & loans	1,810	2,044	2,544	3,044	3,544
Net fixed assets	10,853	11,505	11,872	11,355	10,799
Other assets	25,515	25,976	44,413	44,331	44,672
Total assets	42,037	44,384	64,134	63,940	64,242
LIABILITIES:					
Current liabilities:	8,486	12,450	20,558	18,988	17,892
Account payables	3,920	6,000	10,475	10,091	9,954
Bank overdraft & ST loans	1,850	2,190	5,633	4,485	3,415
Current LT debt	1,464	3,314	3,286	3,364	3,415
Others current liabilities	1,252	946	1,163	1,048	1,108
Total LT debt	6,282	3,821	9,859	10,092	10,245
Others LT liabilities	19,289	19,914	25,003	25,484	25,979
Total liabilities	34,057	36,184	55,419	54,564	54,117
Minority interest	96	105	120	134	149
Preferreds shares	0	0	0	0	0
Paid-up capital	1,670	1,670	1,670	1,670	1,670
Share premium	1,185	1,185	1,185	1,185	1,185
Warrants	0	0	0	0	0
Surplus	(55)	(21)	(21)	(21)	(21)
Retained earnings	5,083	5,260	5,760	6,407	7,141
Shareholders' equity	7,884	8,095	8,595	9,242	9,976
Liabilities & equity	42,037	44,384	64,134	63,940	64,242

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	1,919	1,073	1,400	1,365	1,483
Tax paid	(314)	(401)	(280)	(273)	(297)
Depreciation & amortization	2,880	3,024	3,243	3,578	3,700
Chg In working capital	(1,011)	1,710	2,884	(226)	(83)
Chg In other CA & CL / minorities	1,418	(123)	57	(15)	260
Cash flow from operations	4,893	5,282	7,305	4,429	5,064
Capex	(2,275)	(3,676)	(3,610)	(3,060)	(3,145)
Right of use	(23,662)	(204)	(500)	(500)	(500)
ST loans & investments	45	129	196	0	0
LT loans & investments	397	(233)	(500)	(500)	(500)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	20,963	528	(13,335)	1,054	643
Cash flow from investments	(4,532)	(3,456)	(17,748)	(3,007)	(3,502)
Debt financing	201	(271)	9,453	(837)	(866)
Capital increase	0	0	0	0	0
Dividends paid	(668)	(835)	(445)	(531)	(637)
Warrants & other surplus	10	40	0	0	0
Cash flow from financing	(457)	(1,066)	9,008	(1,368)	(1,503)
Free cash flow	2,617	1,606	3,695	1,369	1,919

We expect FCF to remain positive despite lower profit

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	12.2	22.6	24.0	19.3	16.6
Normalized PE - at target price (x)	15.3	28.2	30.0	24.1	20.7
PE (x)	12.0	22.6	24.0	19.3	16.6
PE - at target price (x)	15.0	28.2	30.0	24.1	20.7
EV/EBITDA (x)	5.3	5.8	7.1	6.2	5.5
EV/EBITDA - at target price (x)	6.3	6.9	8.1	7.0	6.3
P/BV (x)	2.9	2.8	2.6	2.5	2.3
P/BV - at target price (x)	3.6	3.5	3.3	3.1	2.8
P/CFO (x)	4.6	4.3	3.1	5.1	4.5
Price/sales (x)	0.2	0.2	0.1	0.1	0.1
Dividend yield (%)	3.7	1.8	2.1	2.6	3.0
FCF Yield (%)	11.5	7.1	16.3	6.0	8.5
(Bt)					
Normalized EPS	1.1	0.6	0.6	0.7	0.8
EPS	1.1	0.6	0.6	0.7	0.8
DPS	0.5	0.3	0.3	0.4	0.4
BV/share	4.7	4.8	5.1	5.5	6.0
CFO/share	2.9	3.2	4.4	2.7	3.0
FCF/share	1.6	1.0	2.2	0.8	1.1

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(13.0)	28.1	44.4	(2.9)	(0.8)
Net profit (%)	21.4	(46.9)	(6.1)	24.5	16.5
EPS (%)	21.4	(46.9)	(6.1)	24.5	16.5
Normalized profit (%)	19.0	(45.8)	(6.1)	24.5	16.5
Normalized EPS (%)	19.0	(45.8)	(6.1)	24.5	16.5
Dividend payout ratio (%)	44.1	41.5	50.0	50.0	50.0
Operating performance					
Gross margin (%)	10.4	7.8	5.9	6.7	7.2
Operating margin (%)	2.9	1.6	1.3	1.5	1.8
EBITDA margin (%)	5.6	3.9	3.0	3.4	3.8
Net margin (%)	1.4	0.6	0.6	0.6	0.6
D/E (incl. minor) (x)	1.2	1.1	2.2	1.9	1.7
Net D/E (incl. minor) (x)	1.1	0.9	2.1	1.8	1.6
Interest coverage - EBIT (x)	2.7	2.0	2.3	1.9	1.8
Interest coverage - EBITDA (x)	5.3	4.7	5.2	4.3	3.7
ROA - using norm profit (%)	5.7	2.3	1.7	1.8	2.1
ROE - using norm profit (%)	25.6	12.6	11.3	13.2	14.3
DuPont					
ROE - using after tax profit (%)	20.6	10.2	13.4	12.2	12.3
- asset turnover (x)	3.2	3.1	3.6	2.9	2.9
- operating margin (%)	2.9	1.6	1.3	1.5	1.8
- leverage (x)	4.5	5.4	6.5	7.2	6.7
- interest burden (%)	63.5	49.0	55.9	47.3	43.4
- tax burden (%)	77.9	75.7	80.0	80.0	80.0
WACC (%)	7.0	7.0	7.0	7.0	7.0
ROIC (%)	15.7	10.0	12.7	8.7	10.4
NOPAT (Bt m)	2,353	1,658	2,002	2,307	2,736
invested capital (Bt m)	16,539	15,719	26,620	26,365	26,165

ROE has come down due to lower profit

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
Below		N/A

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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 Phadthanarak

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