

BUY (Unchanged)**TP: Bt 38.00**

(From: Bt 60.00)

Change in Numbers

Upside : 15.2%**30 MARCH 2023**

TQM Alpha Pcl (TQM TB)

In transition

TQM is moving beyond insurance, planning to list subsidiaries from 2024. While insurance brokerage remains its key contributor, its slower insurance growth and a cost base hike to support its new businesses lead us to cut 2023-25F earnings by an average of 32%. With 15% potential upside to our lower TP of Bt38, TQM is still a BUY.

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Insurance: COVID-19 disruption recovery

Hit by the absence of COVID-19 policies and the loss of insurance premiums from closed insurance firms, TQM's renewal insurance sales were very weak last year. Given no high-base effect, TQM's insurance sales are on a clear recovery path. We estimate growth in premium sales of 11% this year and 8% p.a. over 2024-25F. Premium growth drivers are 4% growth in motor insurance, average growth of 22% p.a. for non-motor insurance as TQM is successfully raising its penetration of health, PA, travel and housing policies, and 20% growth in life insurance.

New lending and tech: waiting to scale

Starting in late 2021, Easy Lending (EL) became TQM's financial solutions arm. EM offered premium loans of Bt1.2bn last year. It has already made profits with no NPLs on its book. EL is looking to expand beyond insurance-related loans with a loan growth target of Bt3bn this year and Bt5bn in 2024. Even though it is opting for unsecured loans, EL plans to limit asset quality risks through prudent lending terms and data sharing from business partners. Meanwhile, its tech platform foundation has been put in place, and the group aims to recognize revenues by providing IT applications and outsourcing services to insurance agents and insurance companies.

Cutting our earnings and TP

We cut our earnings for TQM by an average of 32% p.a. over 2023-25F. The cuts are to reflect slower premium sales due to the consolidation of the non-life insurance industry after COVID-19 amid intensifying competition and higher back-office expenses to support setting up its new businesses. We already factor a growing personal lending business into our numbers. Waiting for details on the non-insurance-related loan partnership model, we are more conservative than TQM's target. Meanwhile, we reckon it could take a while for the tech platform business to contribute significantly to the group. Given that most of its profits still look set to be derived from its insurance business, we estimate earnings growth of 13-14% in 2023-24F, before rising to 17% in 2025. On the back of our earnings cuts, we lower our DCF-based 12-month TP, using a 2023F base year, to Bt38 from Bt60.

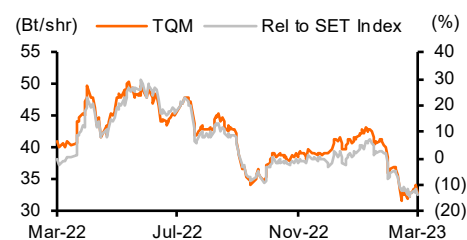
Maintain BUY

Along with its disappointing performance in 2022, TQM's share price has fallen by 25% from its peak in February of Bt43.75. The counter is trading on a 2023F PE multiple of 22x, a 33% de-rating from its five-year average PE of 32x. We believe TQM's leading market position and high ROE of over 30% warrant its valuation premium to the market. With potential upside of 15% and a 4% dividend yield, we maintain our BUY call on TQM.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	3,590	3,831	4,052	4,326
Net profit	809	916	1,048	1,232
Consensus NP	—	904	1,050	1,322
Diff frm cons (%)	—	1.3	(0.2)	(6.8)
Norm profit	809	916	1,048	1,232
Prev. Norm profit	—	1,263	1,536	1,831
Chg frm prev (%)	—	(27.5)	(31.8)	(32.7)
Norm EPS (Bt)	1.3	1.5	1.7	2.1
Norm EPS grw (%)	(2.1)	13.2	14.3	17.6
Norm PE (x)	24.5	21.6	18.9	16.1
EV/EBITDA (x)	15.8	15.6	14.5	12.7
P/BV (x)	7.7	7.3	7.0	6.5
Div yield (%)	3.6	4.1	4.7	5.5
ROE (%)	28.4	34.6	37.7	41.9
Net D/E (%)	(22.5)	(14.1)	(3.3)	(1.6)

PRICE PERFORMANCE



COMPANY INFORMATION

Price: (Bt) as of 30-Mar-23	33.00
Market Cap (US\$ m)	578.2
Listed Shares (m shares)	600.0
Free Float (%)	41.4
Avg. Daily Turnover (US\$ m)	1.8
12M Price H/L (Bt)	50.25/31.75
Sector	Insurance
Major Shareholder	Eternal Growth Corp Ltd 51.2%

Sources: Bloomberg, Company data, Thanachart estimates

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Moving beyond insurance business

Adding financial solutions and a tech platform

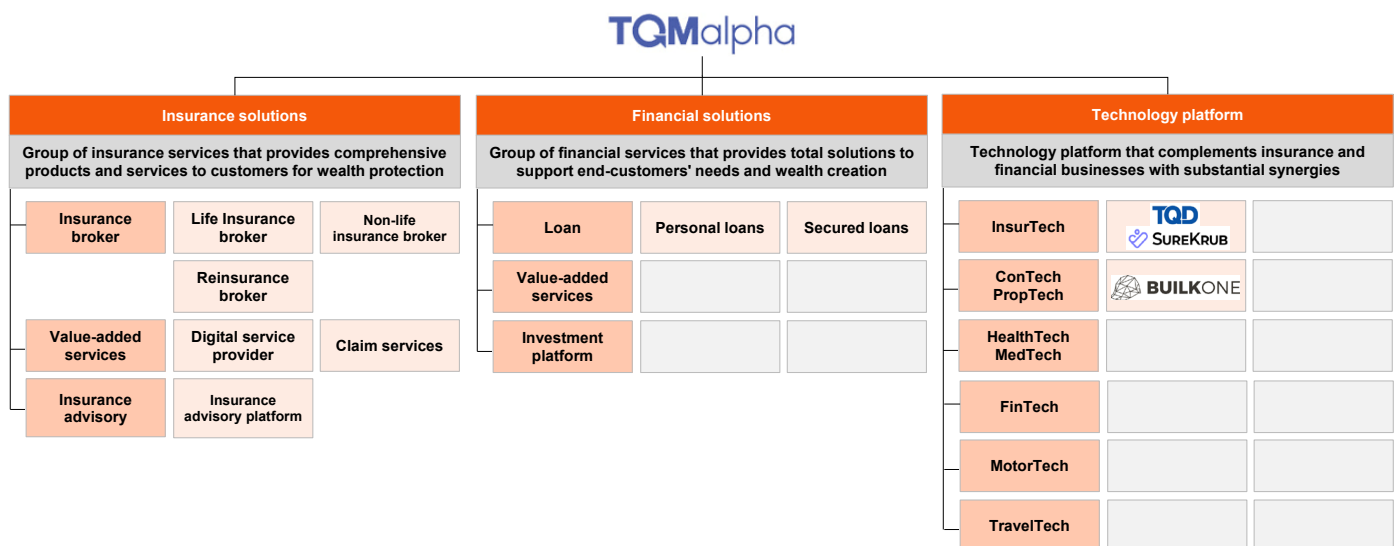
TQM Alpha Pcl (TQM) is expanding beyond its insurance brokerage business. The intent is to offer services to suit customer needs so TQM can keep customers on board. Currently, TQM has around 3.5m customers of which more than 1m are active ones. Exhibits 1 and 2 show TQM's new holding structure under the new company name TQM Alpha.

In a nutshell, TQM plans to house three business units:

- 1) **Insurance brokerage.** This is led by TQM which is the biggest insurance broker with a 6% share of non-life insurance and less than 1% of life insurance. It has also set up TJN as an agent-based insurance broker. TQM also acquired 50% and 44% stakes in True Life and TQR in 2021 and 2022. True Life is a life insurance broker focusing on government and state enterprises. TQR is a reinsurance broker so TQM now covers the entire value chain of the insurance brokerage business.
- 2) **Financial solutions.** The flagship company under this is Easy Lending (75% holding). EL started off by offering installment premium loans with an average loan duration of up to four months. EL is looking to expand into unsecured lending under a personal loan license where it can charge interest rates of up to 25%. With over 1m motor insurance policies in hand, EL is interested in secured title loans too. It also plans to work with TQM's other affiliate, BUILKONE, to offer factoring loans with interest charges of up to 15% for mid-to-small sized contractors.
- 3) **Technology platform.** TQM has set up TQD as an online insurance broker to capture the insurtech trend. It has also invested in a 60% stake in SureKrub, a start-up company providing insurtech services to outsiders, and 40% in BUILKONE (BUILK), a tech startup company that provides software and applications to support the digital transformation of the construction and real estate industry.

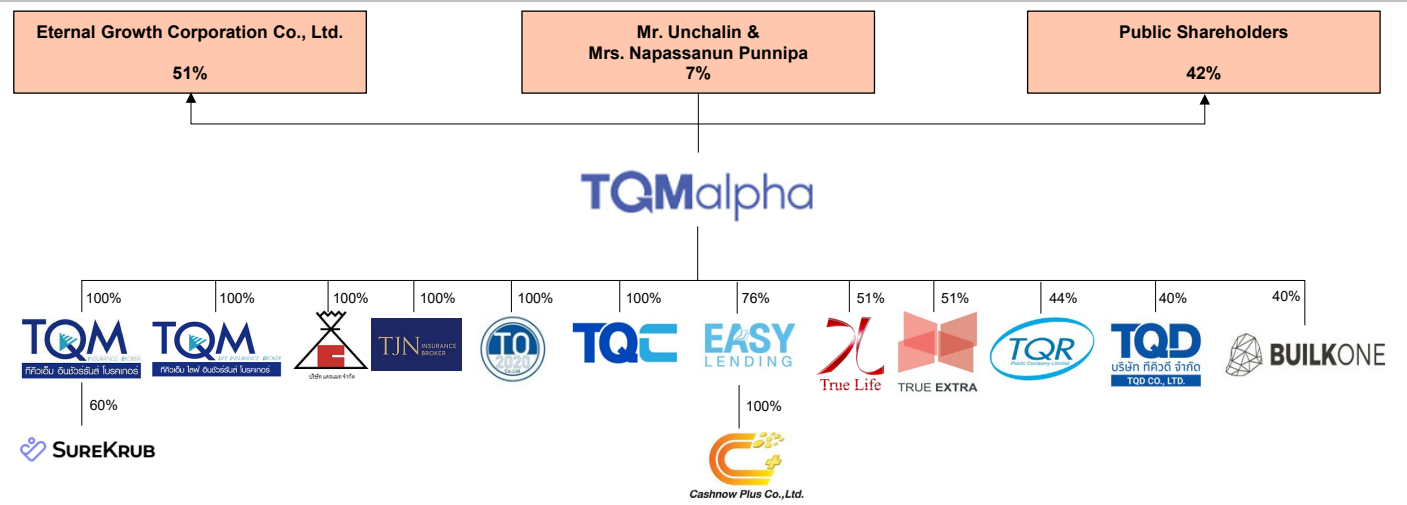
TQM hopes to grow the contributions of the No.2 and No.3 businesses above to 50% of the group's total contributions by 2027. The group expects to enlarge its customer base from 3.5m currently to 10m over the next five years. TQM also plans to list True Life in 2024, EL in 2025 and BUILK in 2026. In the meantime, it hopes to grow the group's total revenues by 5-10% over the next three years.

Ex 1: TQM's New Holding Structure Under Its New Company Name TQM Alpha



Source: Company data

Ex 2: TQM's 14 Affiliates And Subsidiaries



Source: Company data

Earnings revisions

We cut our earnings to reflect slower revenues growth but higher SG&A expenses

Disrupted by forgone COVID-19 policies and the closure of four insurance companies, TQM's premium sales and revenues were much weaker than we'd expected last year. This, along with rising costs associated with its new business expansions, led its net profit margin to fall from 26.5% in 2021 to just 24.6% in 2022.

Without the renewal issues it experienced in 2022, along with growing premiums of both life and non-life products, we expect insurance premium sales to recover by 10% in 2023F and 8% p.a. in 2024-25F. With the consolidation of the insurance industry, the beefing-up of renewal insurance sales of the banking industry, and intensifying competition from non-banks, we foresee increasing challenges for TQM in growing its insurance brokerage business at a high double-digit clip as it did in the past.

As for the outlook for its new businesses, we expect a better profit contribution from EL. EL contributed interest income of Bt24m last year and it has no NPLs. It has been profitable since its inception. We expect EL to grow new loans from Bt1.2bn last year to Bt2.6bn this year, Bt4.0bn in 2024F and Bt5.0bn in 2025F. Waiting for more details about the non-insurance-related loan partnership model, we are more conservative than the company's new loan book target of Bt3bn this year and Bt5bn in 2024. Meanwhile, we expect small contributions from the tech platform business.

With the slowing growth of the insurance business which is still contributing most of TQM's revenues, ie, more than 80% of the growth and front-loaded costs of new businesses, we slash our earnings estimates by 28% this year, 32% in 2024F and 33% in 2025F. On the back of our earnings cuts and lower valuation multiple to reflect TQM's holding structure, we cut our DCF-based 12-month TP, using a 2023F base year, to Bt38 (from Bt60 previously).

Ex 3: Earnings Revisions

	2019	2020	2021	2022	2023F	2024F	2025F
Net profits (Bt m)							
- New	507.23	702.00	890.43	809.29	916.18	1,047.51	1,232.09
- Old					1,263.42	1,536.25	1,830.96
- Change (%)					(27.48)	(31.81)	(32.71)
Premium sales (Bt bn)							
- New	12.80	15.02	17.51	18.04	20.00	21.55	23.29
- Old					22.56	25.58	29.19
- Change (%)					(11.35)	(15.74)	(20.23)
Brokerage and service revenues (Bt bn)							
- New	2.71	3.08	3.50	3.59	3.83	4.05	4.33
- Old					4.34	4.82	5.33
- Change (%)					(11.79)	(15.94)	(18.79)
SG&A expenses (Bt m)							
- New	701.92	747.38	854.56	923.65	950.10	977.33	1,005.36
- Old					907.94	936.59	966.11
- Change (%)					4.64	4.35	4.06
EL's personal loans (Bt bn)							
- New	—	—	—	1.20	2.60	4.00	5.00
- Old					2.60	4.00	4.72
- Change (%)					—	—	5.87

Sources: Company data, Thanachart estimates

Ex 4: 12-month DCF-based TP Calculation Using A Base Year Of 2023F

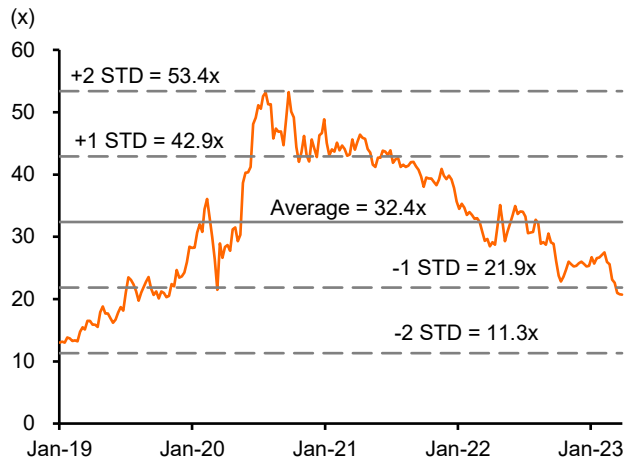
(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA	1,215	1,340	1,530	1,731	1,946	2,187	2,448	2,729	3,034	3,365	3,724	3,724
Free cash flow	1,044	1,206	1,397	1,599	1,821	2,047	2,317	2,573	2,848	3,143	3,461	37,160
PV of free cash flow	1,044	988	1,035	1,072	1,081	1,094	1,115	1,116	1,113	1,106	1,044	11,211
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	10.5											
Terminal growth (%)	2.0											
Enterprise value, incl. investments*	23,019											
Net debt (2022)	(712)											
Minority Interest	587											
Equity value (Bt m)	23,143											
No. of shares (m)	600											
Target price/share (Bt)	38.00											

Sources: Company data, Thanachart estimates

Maintain BUY with a lower TP of Bt38

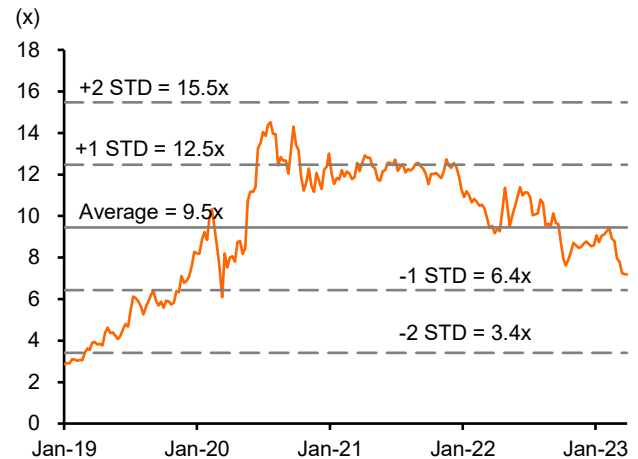
With disappointing profits and the immaterial contributions of its two new businesses, TQM's share price has fallen by 25% from its recent peak in February of Bt43.75. The counter is trading on a 2023F PE multiple of 22x, representing a 33% de-rating from its five-year average PE of 32x.

Ex 5: STD PE



Sources: Bloomberg, Thanachart estimates

Ex 6: STD P/BV



Sources: Bloomberg, Thanachart estimates

TQM's PE is still higher than the SET Index's but the premium has come down by around 50%. We see the valuation premium as being justified by its high ROE of over 30%. In light of our projections for a three-year EPS CAGR of 15%, a decent dividend yield of 4%, and 15% potential upside to our TP, we maintain our BUY call on TQM.

We leave divestment gains from the listing of True Life, EL and BUILK as upside

TQM plans to list True Life in 2024, EL in 2025 and BUILK in 2026. True Life and EL are already profitable and have been consolidated since 2021. True Life sold life insurance premiums of over Bt1bn, generated Bt200m in revenues, and made profits of Bt74.6m in 2022. The budget is to grow profits to Bt80m this year. EL is also profitable, but its contribution is still very small. BUILK generates income through an earnings margin from construction material sales and income from providing ERP and cloud solution services. It made an accounting loss last year. The group's listing timeline is based on the expectation of profit generation of Bt100m for True Life, EL and BUILK by 2024, 2025 and 2026. We already incorporate their profit contributions, but our numbers are more conservative than the company's. TQM intends to keep its holding of at least 25% after listing. We also leave TQM's divestment gains as a potential upside to our TP.

Valuation Comparison

Ex 7: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPS growth		— PE —		— P/BV —		— ROE —		— Div. Yield —	
			23F (%)	24F (%)	23F (x)	24F (x)	23F (x)	24F (x)	23F (%)	24F (%)	23F (%)	24F (%)
China Life Insurance	601628 CH	China	58.6	11.2	18.2	16.4	1.8	1.6	10.8	11.4	2.1	2.4
China Pacific Insurance	601601 CH	China	19.0	14.1	8.5	7.4	1.0	0.9	12.3	13.3	4.5	5.1
Ping An Insurance Group	601318 CH	China	49.3	14.1	6.3	5.6	0.9	0.8	13.9	14.5	5.7	6.3
China Life Insurance	2628 HK	Hong Kong	64.1	14.0	6.6	5.8	0.7	0.6	10.5	10.9	5.4	6.1
China Reinsurance Group	1508 HK	Hong Kong	213.3	10.1	4.0	3.6	0.2	0.2	6.3	6.5	7.6	8.4
Ping An Insurance Group	2318 HK	Hong Kong	51.7	17.4	7.0	5.9	1.0	0.9	14.4	15.3	5.2	5.8
LPI Capital	LPI MK	Malaysia	15.2	(0.6)	15.1	15.2	2.1	2.0	13.7	14.4	5.2	5.4
Dongbu Insurance	005830 KS	South Korea	(4.7)	(0.3)	4.8	4.8	0.8	0.7	18.2	16.5	6.1	6.5
Hyundai Marine & Fire	001450 KS	South Korea	(1.1)	15.9	4.8	4.1	0.6	0.5	15.3	14.7	6.3	6.8
Meritz Fire & Marine	000060 KS	South Korea	17.0	na	6.0	na	3.9	na	74.2	na	1.6	1.2
Samsung Fire & Marine	000810 KS	South Korea	(1.3)	8.8	7.0	6.4	0.6	0.6	10.3	10.3	6.6	7.0
Cathay Financial Holding	2882 TT	Taiwan	94.0	8.8	8.3	7.6	0.9	0.7	12.5	9.6	4.3	4.8
China Life Insurance	2823 TT	Taiwan	na	na	na	na	na	na	na	na	na	na
Shin Kong Financial	2888 TT	Taiwan	555.0	na	12.9	na	0.6	na	na	na	na	na
Bangkok Life Assurance	BLA TB *	Thailand	23.0	34.7	12.3	9.1	1.0	0.9	8.5	10.7	2.0	3.0
Thai Reinsurance	THRE TB	Thailand	na	na	4.6	25.5	1.1	1.2	3.5	4.0	15.7	2.9
Thaire Life Assurance	THREL TB	Thailand	15.4	16.7	14.1	12.1	1.7	1.6	12.1	13.4	5.0	5.7
TQM Alpha Pcl	TQM TB *	Thailand	13.2	14.3	21.6	18.9	7.3	7.0	34.6	37.7	4.1	4.7
Average			73.9	12.8	9.5	9.9	1.5	1.4	16.9	13.6	5.5	5.1

Source: Bloomberg

Note: * Thanachart estimates , using Thanachart normalized EPS

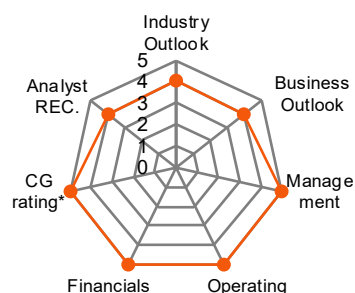
Based on 30 Mar 2023 closing prices

COMPANY DESCRIPTION

Founded in 1953, TQM is the biggest insurance broker in Thailand. TQM conducted an IPO on 20 December 2018. The group has expanded beyond insurance brokerage business under new company name TQM Alpha in 2022. TQM Alpha will house three business units; 1) insurance brokerage; 2) financial solutions; and 3) tech platform.

Source: Thanachart

COMPANY RATING



Rating Scale

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

Source: Thanachart; * No CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Solid infrastructure and strong distribution platform.
- Scale benefits.
- Production innovation know-how.
- Solid balance sheet.

O — Opportunity

- Increased life insurance penetration.
- Online expansion.
- Expansion into neighboring countries.

W — Weakness

- Over 80% of premium sales and revenues are from non-life motor insurance, which has a strong correlation with industry car sales.

T — Threat

- Economic slowdown.
- Changes in regulations.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	45.00	38.00	-16%
Net profit 23F (Bt m)	904	916	1%
Net profit 24F (Bt m)	1,050	1,048	0%
Consensus REC	BUY: 4	HOLD: 1	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- We share the Bloomberg consensus view on TQM's earnings. However, with a slowing growth story, we don't expect TQM's previously high PE to be repeated, so our TP is lower.

Sources: Bloomberg consensus, Thanachart estimates

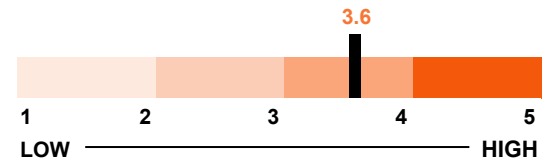
RISKS TO OUR INVESTMENT CASE

- A slowdown in domestic car sales and slower growth of new product lines would be the main downside risk to our call.
- Severe pricing competition would be another downside risk.
- A failure to execute new business would also represent a secondary downside risk to our TP.

Source: Thanachart

As the largest insurance broker with more than 3,000 employees, TQM directly impacts environmental conditions. The company realizes its responsibility to society and the community in taking care of the environment, including natural resources. We assign a score of 3.62 to TQM.

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)
TQM	YES	YES	-	-	49.03	50.24	17.34	-	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

- TQM has set up greenhouse gas management policy and the goal is to reduce gas emissions by 3% within 2030.
- TQM has established a policy to cultivate the awareness of employees at all levels about reducing the use of paper, i.e. re-using paper, reviewing the printing of documents as needed on a regular basis, and storing documents in electronic format as well as adding electronic channels to send and receive documents between partners, staff and customers such as by data networks or FTP (File Transfer Protocol) and email, etc. This has resulted in reduced paper usage as well as saving costs within the company.
- The average assessment result for environmental protection awareness in 2020 was 81% compared to 85% in 2021. The company expects the average score in 2022 to be 89%.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- TQM has a guideline to promote and encourage the implementation of fundamental human rights and equality principles so as not to discriminate over race, nationality, religion, language, skin color, sex, age, education, physical condition or social status, while ensuring that employees can work together in a safe and happy environment.
- In addition, TQM has coordinated with the Disabled Career Development Center since 2010 to hire disabled persons to be regular employees of the company.
- The company has made many donations and implemented CSR projects. Examples are giving free insurance to people suffering adverse vaccine reactions, donating 1,000 survival bags containing essential supplies to members of the public who are resident in communities in the vicinity of the company's head office, and giving 407 accident insurance policies to policemen from Khok Khram and Chokchai Metropolitan Police Stations for the 13th consecutive year.

GOVERNANCE & SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- TQM's board has ten members, of whom five are independent directors.
- The company achieved a Corporate Governance rating of five stars or an "Excellent" Corporate Governance Report (CGR), according to the assessment of the Thai Institute of Directors (IOD) for the second consecutive year in 2021.
- TQM realizes the importance of the management of various crises and, therefore, has formulated a Business Continuity Plan at the corporate level to address significant risks.
- The company is one of the first brokers in Thailand to have invested in advanced technology to support insurtech.

Sources: Company data, Thanachart

INCOME STATEMENT

We expect a recovery in premium sales

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	3,498	3,590	3,831	4,052	4,326
Cost of sales	1,606	1,691	1,773	1,843	1,897
Gross profit	1,893	1,899	2,057	2,209	2,430
% gross margin	54.1%	52.9%	53.7%	54.5%	56.2%
Selling & administration expenses	855	924	950	977	1,005
Operating profit	1,038	975	1,107	1,232	1,424
% operating margin	29.7%	27.2%	28.9%	30.4%	32.9%
Depreciation & amortization	177	230	129	130	127
EBITDA	1,215	1,205	1,236	1,361	1,551
% EBITDA margin	34.7%	33.6%	32.3%	33.6%	35.8%
Non-operating income	121	137	144	188	227
Non-operating expenses	0	0	0	0	0
Interest expense	(2)	(2)	(9)	(11)	(13)
Pre-tax profit	1,157	1,110	1,242	1,409	1,639
Income tax	230	226	248	282	328
After-tax profit	927	885	994	1,127	1,311
% net margin	26.5%	24.6%	25.9%	27.8%	30.3%
Shares in affiliates' Earnings	(2)	1	3	5	10
Minority interests	(99)	(76)	(81)	(85)	(89)
Extraordinary items	64	0	0	0	0
NET PROFIT	890	809	916	1,048	1,232
Normalized profit	827	809	916	1,048	1,232
EPS (Bt)	1.5	1.3	1.5	1.7	2.1
Normalized EPS (Bt)	1.4	1.3	1.5	1.7	2.1

BALANCE SHEET

Growing lending under Easy Lending

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	2,498	2,461	2,772	3,292	3,691
Cash & cash equivalent	1,720	1,124	1,000	1,000	1,000
Account receivables	603	848	840	888	948
Inventories	118	428	867	1,333	1,667
Others	56	61	66	71	76
Investments & loans	1,096	1,206	1,206	1,206	1,206
Net fixed assets	83	99	91	82	76
Other assets	1,307	1,138	1,128	1,118	1,107
Total assets	4,984	4,903	5,197	5,697	6,079
LIABILITIES:					
Current liabilities:	784	1,110	1,216	1,617	1,705
Account payables	535	482	486	505	520
Bank overdraft & ST loans	15	412	522	885	940
Current LT debt	0	0	0	0	0
Others current liabilities	234	216	208	227	245
Total LT debt	549	444	403	388	374
Others LT liabilities	181	191	191	191	191
Total liabilities	1,514	1,745	1,810	2,195	2,271
Minority interest	336	587	668	668	757
Preferreds shares	0	0	0	0	0
Paid-up capital	300	300	300	300	300
Share premium	1,607	1,607	1,607	1,607	1,607
Warrants	0	0	0	0	0
Surplus	668	(2)	(2)	(2)	(2)
Retained earnings	559	666	814	930	1,147
Shareholders' equity	3,134	2,570	2,719	2,834	3,052
Liabilities & equity	4,984	4,903	5,197	5,697	6,079

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	1,157	1,110	1,242	1,409	1,639
Tax paid	(212)	(251)	(243)	(277)	(323)
Depreciation & amortization	177	230	129	130	127
Chg In working capital	(67)	(608)	(426)	(496)	(379)
Chg In other CA & CL / minorities	160	181	(15)	(71)	18
Cash flow from operations	1,215	662	686	695	1,082
Capex	(57)	(134)	(100)	(100)	(100)
Right of use	(26)	(8)	(10)	(10)	(10)
ST loans & investments	0	0	0	0	0
LT loans & investments	(360)	(110)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(549)	(31)	(42)	(16)	(13)
Cash flow from investments	(992)	(283)	(152)	(126)	(123)
Debt financing	4	397	109	363	56
Capital increase	0	0	0	0	0
Dividends paid	(821)	(804)	(768)	(932)	(1,014)
Warrants & other surplus	665	(569)	0	0	0
Cash flow from financing	(152)	(976)	(658)	(569)	(959)
Free cash flow	1,158	528	586	595	982

Increasing borrowings to support financial solutions business

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	24.0	24.5	21.6	18.9	16.1
Normalized PE - at target price (x)	27.6	28.2	24.9	21.8	18.5
PE (x)	22.2	24.5	21.6	18.9	16.1
PE - at target price (x)	25.6	28.2	24.9	21.8	18.5
EV/EBITDA (x)	14.9	15.8	15.6	14.5	12.7
EV/EBITDA - at target price (x)	17.4	18.3	18.1	16.7	14.7
P/BV (x)	6.3	7.7	7.3	7.0	6.5
P/BV - at target price (x)	7.3	8.9	8.4	8.0	7.5
P/CFO (x)	16.3	29.9	28.8	28.5	18.3
Price/sales (x)	5.7	5.5	5.2	4.9	4.6
Dividend yield (%)	3.7	3.6	4.1	4.7	5.5
FCF Yield (%)	5.8	2.7	3.0	3.0	5.0
(Bt)					
Normalized EPS	1.4	1.3	1.5	1.7	2.1
EPS	1.5	1.3	1.5	1.7	2.1
DPS	1.2	1.2	1.4	1.6	1.8
BV/share	5.2	4.3	4.5	4.7	5.1
CFO/share	2.0	1.1	1.1	1.2	1.8
FCF/share	1.9	0.9	1.0	1.0	1.6

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	13.5	2.6	6.7	5.8	6.8
Net profit (%)	26.8	(9.1)	13.2	14.3	17.6
EPS (%)	26.8	(9.1)	13.2	14.3	17.6
Normalized profit (%)	17.8	(2.1)	13.2	14.3	17.6
Normalized EPS (%)	17.8	(2.1)	13.2	14.3	17.6
Dividend payout ratio (%)	82.5	89.0	89.0	89.0	89.0
Operating performance					
Gross margin (%)	54.1	52.9	53.7	54.5	56.2
Operating margin (%)	29.7	27.2	28.9	30.4	32.9
EBITDA margin (%)	34.7	33.6	32.3	33.6	35.8
Net margin (%)	26.5	24.6	25.9	27.8	30.3
D/E (incl. minor) (x)	0.0	0.1	0.2	0.3	0.2
Net D/E (incl. minor) (x)	(0.5)	(0.2)	(0.1)	(0.0)	(0.0)
Interest coverage - EBIT (x)	424.4	na	127.8	113.9	111.3
Interest coverage - EBITDA (x)	496.9	na	142.7	125.8	121.2
ROA - using norm profit (%)	19.2	16.4	18.1	19.2	20.9
ROE - using norm profit (%)	29.9	28.4	34.6	37.7	41.9
DuPont					
ROE - using after tax profit (%)	33.5	31.0	37.6	40.6	44.5
- asset turnover (x)	0.8	0.7	0.8	0.7	0.7
- operating margin (%)	33.1	31.0	32.7	35.0	38.2
- leverage (x)	1.6	1.7	1.9	2.0	2.0
- interest burden (%)	99.8	99.8	99.3	99.2	99.2
- tax burden (%)	80.1	79.7	80.0	80.0	80.0
WACC (%)	10.5	10.5	10.5	10.5	10.5
ROIC (%)	109.2	54.4	47.7	44.0	41.9
NOPAT (Bt m)	832	777	886	985	1,139
invested capital (Bt m)	1,428	1,859	2,240	2,719	2,992

Sources: Company data, Thanachart estimates

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As a result, SET has created the SETTHSI for the purpose of indicating the price of these sustainable companies that pass the market capital size and liquidity criteria.

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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
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Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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