

BUY (Unchanged)

Change in Numbers

TP: Bt 22.00

(From: Bt 33.00)

4 AUGUST 2023

Upside : 18.3%

i-Tail Corporation Pcl (ITC TB)

A lower base of earnings

We now reset ITC's earnings down as we see the high base during the COVID years as unsustainable. However, we reaffirm our BUY call on the stock after the 35% YTD fall in its share price and due to our expectation of an earnings turnaround from 3Q23F.



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A reset

ITC's weak earnings in 1H23 with a 56% y-y fall weren't due only to the pet food industry's destocking. It also seems that the strong earnings during the COVID years are unsustainable, with the work-from-home (WFH) trend only temporarily boosting demand for premium pet food products. We decide to rebase ITC's earnings with hefty earnings cuts of 49% p.a. in 2023-25F, and this implies a 2023F earnings contraction of 61%. The cuts are to bring down the premium product mix to near the pre-COVID level of 45% in 2023F vs. 52% in 2022 and 41% in 2019. The lower mix comes with a 34% fall in US\$ sales in 2023F and a drop in gross margin to 19% from 24% in 2022. The cuts also reflect higher raw material (mainly tuna) prices compared to last year.

No change in market position

Despite the significant earnings drop, we do not expect ITC, one of the world's top-five OEM pet food producers, to lose its strong market position. The decline in premium product sales is on the demand side and does not involve a loss of market share in the segment. All of its top global-based customers, i.e., Nestle and JM Smucker remain intact. ITC, a subsidiary of the world's largest tuna producer, Thai Union Group Pcl (TU TB, BUY, Bt13.3), remains a highly competitive wet-based pet food producer. The pet food industry, by nature, is also a stable growth sector with a mid-single-digit growth, and wet-based pet foods are growing more strongly at around 7% p.a.

We foresee a recovery in 3Q23F

After the earnings base reset in 1H23, ITC has started to see some recovery in its orders so far in 3Q23, which could imply single-digit q-q sales growth. Orders are from its existing global customers that we mentioned above. And to compensate for higher raw material prices, ITC has raised its selling prices by around 5%, and it should be able to recoup some of the decline in its gross margin from the previous quarters. Our new earnings estimate implies 17% h-h earnings growth in 2H23F.

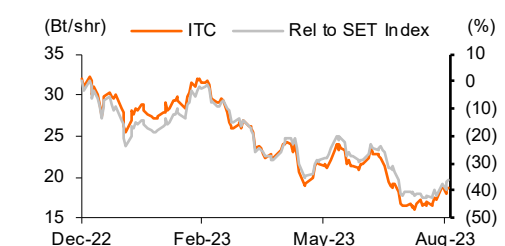
Already de-rated

Despite our sharp earnings cuts, we reaffirm our BUY call on ITC. We believe the stock has been de-rated enough after its 35% YTD share price fall with the price already 39% below its IPO level in 2022 of Bt31. We also believe the earnings bottom was reached in 1H23 and we expect a turnaround from 3Q23F onward. We estimate an EPS turnaround of 25/15% in 2024-25F, which supports a PE multiple of 24x in 2024F. To reflect our earnings cuts and the rollover of our valuation base year to 2024F, we revise down our DCF-based 12-month TP to Bt22/share (from Bt33 previously).

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	22,528	13,797	15,089	16,055
Net profit	4,470	1,830	2,294	2,642
Consensus NP	—	2,075	3,285	4,601
Diff frm cons (%)	—	(11.8)	(30.2)	(42.6)
Norm profit	4,250	1,830	2,294	2,642
Prev. Norm profit	—	3,561	4,475	5,201
Chg frm prev (%)	—	(48.6)	(48.7)	(49.2)
Norm EPS (Bt)	1.6	0.6	0.8	0.9
Norm EPS grw (%)	543.3	(61.2)	25.4	15.2
Norm PE (x)	11.8	30.5	24.3	21.1
EV/EBITDA (x)	8.3	19.6	14.8	12.5
P/BV (x)	2.5	2.4	2.3	2.2
Div yield (%)	1.1	1.6	2.9	4.7
ROE (%)	31.6	7.9	9.5	10.6
Net D/E (%)	(48.7)	(61.7)	(60.3)	(59.5)

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 4-Aug-23 (Bt)	18.60
Market Cap (US\$ m)	1,604.0
Listed Shares (m shares)	3,000.0
Free Float (%)	21.0
Avg Daily Turnover (US\$ m)	11.9
12M Price H/L (Bt)	32.25/16.10
Sector	Food
Major Shareholder	Thai Union Group 77.8%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P10

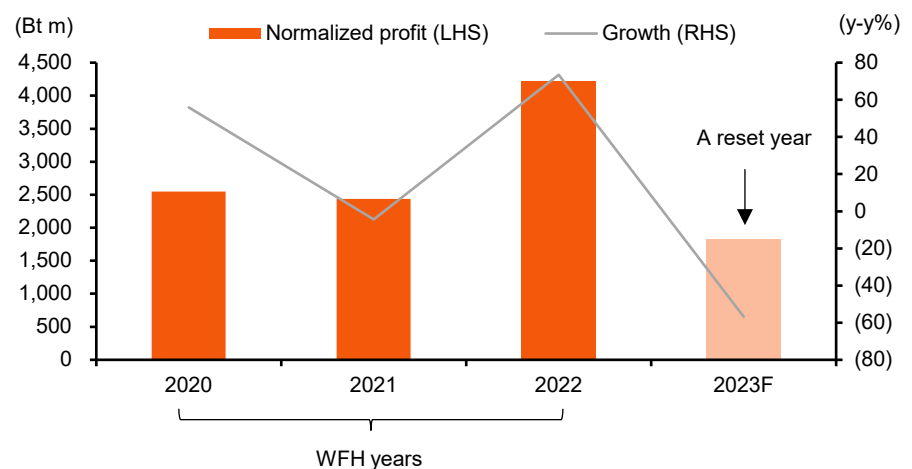
Earnings base reset

We rebase ITC's earnings

The significant 56% y-y decline in i-Tail Corporation Pcl's (ITC) earnings in 1H23 wasn't just a result of the destocking of ITC's focus area of premium pet food products. It was also a result of the abnormally strong demand during the COVID years not being sustainable as the work-from-home (WFH) trend only caused a temporary demand boost for premium pet food.

Note that despite some growth in overall global pet food demand in 1H23, it seems that the demand for premium pet foods has been hit by the weaker global economy. Therefore, ITC, after having outperformed the global pet food industry during the WFH years in 2020-22, saw its orders decrease in 1H23.

Ex 1: A Plunge In Earnings

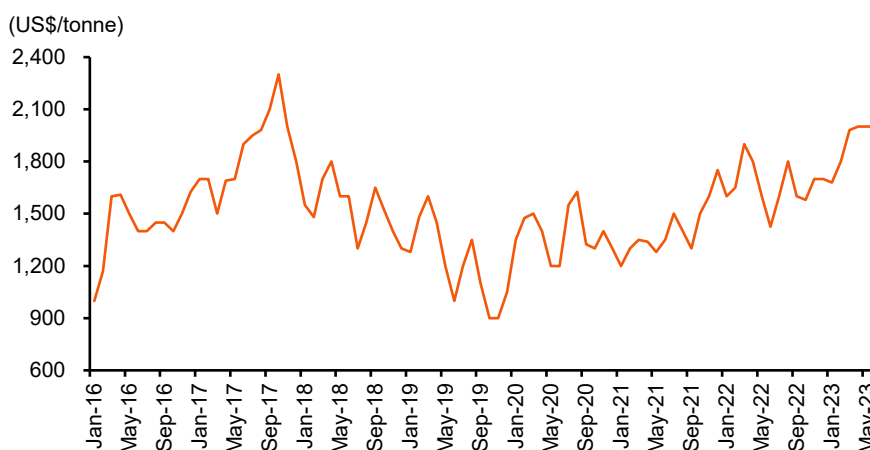


Sources: Company data, Thanachart estimates

Note: 2020-2022 numbers are like-for-like figures (see Exhibit13)

We rebase ITC's earnings and bring down our earnings estimates by 49% p.a. in 2023-25F. This is because we expect ITC's mix of premium products to fall to near pre-COVID level of 45% in 2023F vs. 51% last year vs. 41% in 2019. The lower premium product mix implies that ITC's US\$ sales growth will fall by 34% in 2023F and that gross margin will narrow to 19% from 24% in 2022. We also factor in higher tuna prices, ITC's main raw material.

Ex 2: Tuna Prices



Source: Company data

Ex 3: Our 12-month DCF-based TP, Using a Base Year of 2024F

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal value
EBITDA	2,755	3,254	3,522	3,634	4,516	5,521	6,633	7,843	9,090	10,491	12,043	—
Free cash flow	1,493	2,222	2,338	2,375	3,041	3,275	4,909	5,932	7,033	7,640	9,397	98,691
PV of free cash flow	1,493	1,797	1,700	1,552	1,787	1,730	2,332	2,534	2,701	2,638	2,777	29,168
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.1											
WACC (%)	10.7											
Terminal growth (%)	2.0											
Enterprise value - add investments	52,209											
Net debt (end-2023F)	(14,605)											
Minority interest	(1)											
Equity value	66,815											
# of shares (m)	3,000											
Target price/share (Bt)	22											

Sources: Company data, Thanachart estimates

Ex 4: Our Assumptions

	2020	2021	2022	2023F	2024F	2025F
US\$ sales growth (%)	11.7	18.7	55.1	(34.0)	11.0	9.0
- Premium products (% of total sales)	41	47	52	45	45	47
- Standard products (% of total sales)	59	53	48	55	55	53
US\$/baht	31.3	32.0	35.1	34.2	33.7	32.9
Gross margin (%)	25.9	23.1	25.0	18.9	21.0	22.3

Sources: Company data, Thanachart estimates

Note: 2020-2022 numbers are like-for-like figures (see Exhibit13)

Ex 5: Earnings Revisions

	2021	2022	2023F	2024F	2025F
Sales (Bt m)					
New	14,529	21,420	13,797	15,089	16,055
Old			20,339	23,236	25,377
Change (%)			(32.2)	(35.1)	(36.7)
Gross margin (%)					
New	23.1	25.0	18.9	21.0	22.3
Old			21.2	22.8	23.9
Change (ppt)			(2.3)	(1.8)	(1.6)
SG&A to sales (%)					
New	5.9	5.6	8.7	8.4	8.0
Old			5.4	4.8	4.5
Change (ppt)			3.3	3.5	3.5
Normalized profit (Bt m)					
New	2,436	4,226	1,830	2,294	2,642
Old			3,561	4,475	5,201
Change (%)			(48.6)	(48.7)	(49.2)

Sources: Company data, Thanachart estimates

Reaffirming BUY**Maintaining our BUY call**

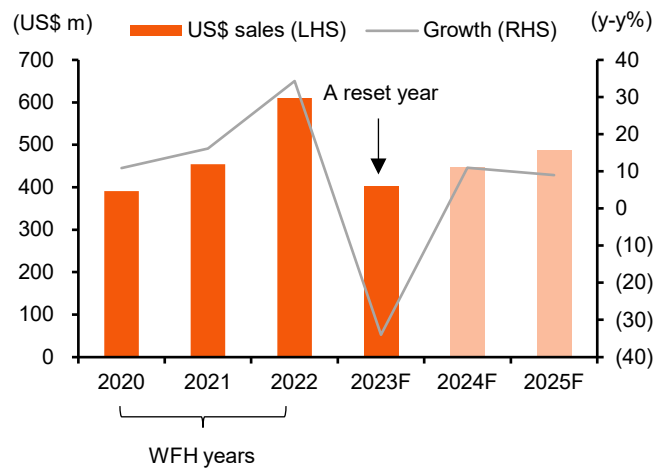
Despite our significant earnings cuts, we reaffirm our BUY call on shares of ITC.

First, ITC's market position remains intact

First, ITC in our view isn't losing its market position of being one of the top-five largest global OEM pet food makers. ITC continues to have all the top three pet food brands as its customers. We believe the significant drop in ITC's revenues in 1H23F was because of lower demand in its focus area of premium pet food products because of the reasons mentioned above. After the reset in 1H23, ITC has started to see some recovery in orders so far in 3Q23 and this implies single digit q-q sales growth. Looking ahead, we expect a gradual recovery in demand for ITC's premium products and we estimate 11/8% US\$ sales growth in 2024-25F as the 36% drop this year looks to have already wiped out most of the significant abnormally high demand growth of 20% p.a. in 2020-22.

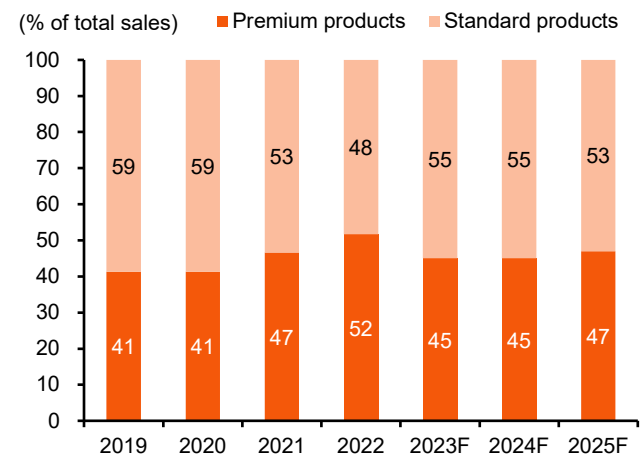
ITC remains a highly competitive wet-based pet food maker thanks to it being a subsidiary of the world's largest tuna producer, Thai Union Group (TU TB, BUY, Bt13.3). Another key success factor lies with its R&D units that co-develop products and innovations with its customers, which helps maintain stickier relationships. Note that despite being among the world's largest, ITC's key customers mainly focus on making standard pet food vs. ITC's premium focus. However, they also plan to increase the sales portion of premium pet food given the rising trend of so-called pet humanization, e.g., pet parenting with younger generation people having fewer or even no children. Premium pet foods are highly focused on the look, taste and different levels of nutrition, so this requires a deep understanding of the different types of pets with years of R&D. This, together with the still small market size for the premium segment, causes pet brand owners often decide to outsource to premium OEM pet food makers rather than investing in-house.

Ex 6: ITC's US\$ Sales Growth



Sources: Company data, Thanachart estimates
Note: 2020-2022 numbers are like-for-like figures (see Exhibit13)

Ex 7: Expecting Some Rebound in Premium Pet Food



Sources: Company data, Thanachart estimates

Ex 8: Premium Vs. Standard Pet Food

Premium wet-based

"Rockstar" Chunks

Swirl Pate

Dual/Triple layer loaf

Jelly

Mousse

Tuna Flake

Broth

Standard wet-based

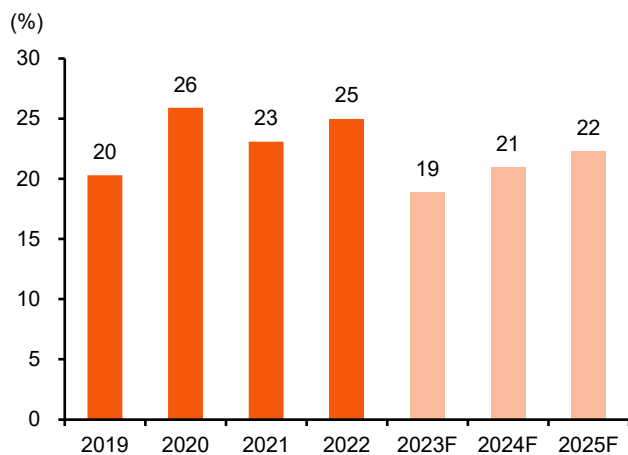
Sources: Company data, Thanachart compilation

We foresee an earnings recovery from 2H23F

Second, we believe ITC's earnings have bottomed out and we expect them improve by 17% h-h in 2H23F. We foresee a full-year recovery with 25/15% growth in 2024-25F. As mentioned above, we see the sharp drop in sales in 1H23 having mostly wiped out the extra demand over the past two years. While demand for pet food is resilient, we expect ITC's focus area of wet-based foods for cats to see demand growth of 7% p.a. from 2023-25F.

Note that ITC also raised its selling prices by around 5% to key clients in 2H23F to counter higher raw material prices. We expect this to help provide some cushion for ITC's gross margin amid the weaker mix of premium products.

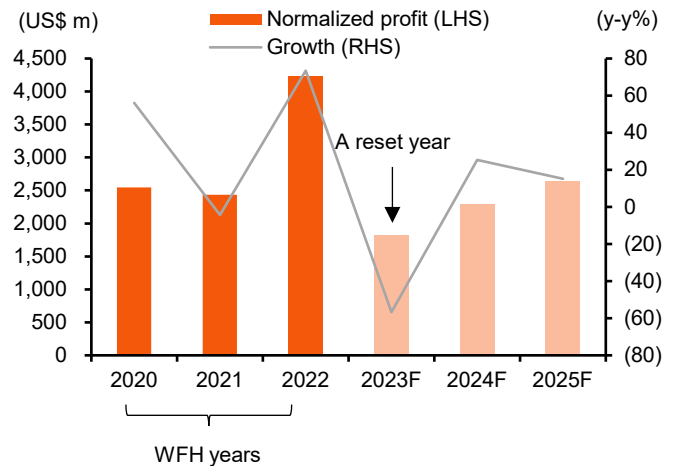
Ex 9: ITC's Gross Margin Trend



Sources: Company data, Thanachart estimates

Note: 2020-2022 numbers are like-for-like figures (see Exhibit13)

Ex 10: Earnings To Recover



Sources: Company data, Thanachart estimates

Note: 2020-2022 numbers are like-for-like figures (see Exhibit13)

We believe ITC has been de-rated enough

Lastly, we see ITC as having been de-rated enough after the 35% fall YTD in its share price and the 39% drop from its IPO level late last year of Bt31/share. We believe ITC has bottomed out and we expect a turnaround in 2H23F. We also don't think ITC's 25/15% EPS growth in 2024-25F makes it look expensive, trading on a 24x PE multiple in 2024F.

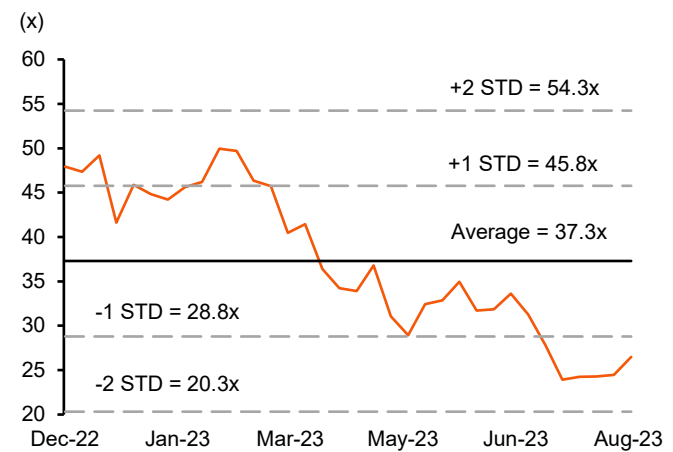
Our new DCF-based 12-month TP is lowered to Bt22/share (from Bt33) due to our earnings cuts and the rollover of our valuation base year to 2024F.

Ex 11: Share Price Since Listing



Source: Bloomberg

Ex 12: PE Since Listing



Sources: Bloomberg, Thanachart estimates

Appendix

Financial statements pre-2022 listing: Before its IPO in December 2022, ITC was involved in a business restructuring in many areas to prepare for the spin-off of its operation from being only a business line under its parent company, Thai Union Group Pcl (TU). The restructuring resulted in the reported P&L statements not being comparable on a like-for-like comparison basis with the post-listing year in 2022 as shown in the table below.

ITC then provided its own proforma statements of the pre-listing years below (Exhibit 13) for a like-for-like comparison. We use these proforma statements throughout this report. However, we still show the reported financial statements at the end of this note giving the numbers ITC reported to the SET, which isn't a like-for-like comparison.

Ex 13: ITC's Like-For-Like Financial Statements

Pro Forma P&L Statements	2019	2020	2021	2022	2023F	2024F	2025F
Sales (Bt m)	10,955	1,224	14,529	21,420	13,797	15,089	16,055
Gross profits (Bt m)	2,221	3,176	3,356	5,349	2,601	3,167	3,584
Gross margin (%)	20.3	25.9	23.1	25.0	18.9	21.0	22.3
EBIT (Bt m)	1,698	2,609	2,495	4,357	1,401	1,907	2,298
EBIT margin (%)	15.5	213.2	17.2	20.3	10.2	12.6	14.3
Normalized profit (Bt m)	1,632	2,546	2,436	4,226	1,830	2,294	2,642
Net margin (%)	14.9	208.0	16.8	19.7	13.3	15.2	16.5

Sources: Company data, Thanachart estimates

Ex 14: ITC's Reported Financial Statements

Reported P&L Statements	2019	2020	2021	2022
Sales (Bt m)	11,667	6,957	7,108	22,528
Gross profits (Bt m)	1,643	1,579	1,065	5,425
Gross margin (%)	14.1	22.7	15.0	24.1
EBIT (Bt m)	1,073	1,002	485	4,158
EBIT margin (%)	9.2	14.4	6.8	17.3
Normalized profit (Bt m)	1,006	976	587	4,250
Net margin (%)	8.6	14.0	8.3	18.5

Source: Company data

Valuation Comparison

Ex 15: Valuation Comparison With Regional Peers

Name	BBG code	Country	—EPS growth—		— PE —		— P/BV —		EV/EBITDA		— Div yield —	
			23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Yantai China Pet Foods	002891 CH	China	57.3	34.5	45.1	33.5	3.4	3.0	21.0	17.0	0.3	0.4
Petpal Pet Nutrition Tech	300673 CH	China	(0.2)	39.7	27.7	19.8	1.8	1.6	15.7	11.8	0.4	0.5
WH Group Ltd	288 HK	Hong Kong	(15.4)	18.0	5.8	4.9	0.7	0.6	3.9	3.5	6.7	7.3
Tyson Foods Inc	TSN US	USA	(82.9)	124.1	37.7	16.8	1.0	1.0	12.6	9.1	3.4	3.3
Pilgrim's Pride Corp	PPC US	USA	(63.9)	85.9	20.7	11.1	1.9	1.7	10.0	7.0	na	na
Hormel Foods Corp	HRL US	USA	(4.9)	8.0	23.6	21.8	2.8	2.6	16.1	15.1	2.7	2.9
BRF SA	BRFS3 BZ	Brazil	63.1	na	na	30.9	1.0	1.0	6.9	5.8	0.4	0.8
JBS SA	JBSS3 BZ	Brazil	(93.7)	333.1	44.8	10.4	0.9	0.9	7.2	5.7	5.6	4.3
Marfrig Global Foods SA	MRFG3 BZ	Brazil	(98.6)	na	82.6	na	1.5	2.0	9.5	8.7	3.1	4.9
Average			(26.6)	91.9	36.0	18.7	1.7	1.6	11.4	9.3	2.8	3.1
Thailand												
Asian Sea Corp	ASIAN TB	Thailand	(67.5)	89.7	19.9	10.5	1.0	0.9	8.8	5.6	2.6	4.9
Betagro	BTG TB	Thailand	(82.6)	88.9	25.7	13.6	1.5	1.4	9.6	7.9	1.7	2.7
Charoen Pokphand Foods *	CPF TB	Thailand	(8.5)	44.6	15.1	10.5	0.6	0.6	13.1	11.6	2.6	3.8
GFPT	GFPT TB	Thailand	(29.4)	10.6	10.3	9.3	0.8	0.8	7.8	7.2	2.3	2.6
i-Tail Corporation*	ITC TB	Thailand	(61.2)	25.4	30.5	24.3	2.4	2.3	19.6	14.8	1.6	2.9
Thaifoods Group	TFG TB	Thailand	(58.1)	26.5	10.9	8.6	1.4	1.3	6.4	6.0	4.1	5.4
Thai Union Group *	TU TB	Thailand	20.1	8.1	7.7	7.2	1.1	1.0	10.2	9.6	7.6	8.4
Average			(41.0)	42.0	17.2	12.0	1.3	1.2	10.8	9.0	3.2	4.4
Average - All			(32.9)	66.9	27.2	15.5	1.5	1.4	11.2	9.2	3.0	3.7

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates, using normalized EPS

Based on 4-Aug-2023 closing prices

COMPANY DESCRIPTION

ITC is among the top-five global largest OEM pet food markers. Its clients include various global pet food leading brands. ITC's key markets are the US, the UK, and other countries in Europe and Asia. ITC focuses mainly on wet-based food for cats which is one of the faster-growing pet-food segments.

Source: Thanachart

COMPANY RATING



Rating Scale

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

Source: Thanachart; *No CG rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Access to lower-cost raw materials
- Economies of scale
- Diversified markets
- Strong management execution

O — Opportunity

- Overseas expansion and acquisitions
- Expanding product lines
- Penetrating new clients

W — Weakness

- Foreign exchange risk exposure
- Labor-intensive business

T — Threat

- Strengthening Thai baht
- Changes in regulations
- Severe disease outbreaks

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	23.60	22.00	-7%
Net profit 23F (Bt m)	2,075	1,830	-12%
Net profit 24F (Bt m)	3,285	2,294	-30%
Consensus REC	BUY: 4	HOLD: 4	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F earnings estimates and TP are below the Bloomberg consensus numbers, likely due to us factoring in stronger baht assumptions than the Street.

RISKS TO OUR INVESTMENT CASE

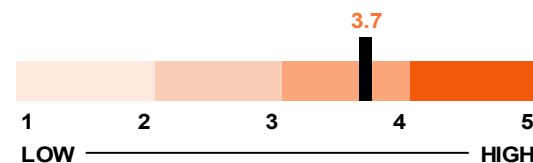
- Adverse weather conditions that could have negative impacts on raw material sourcing and raw material prices represent the key downside risk to our call.
- If the Thai baht were to strengthen to a level much higher than we presently assume, this would represent a secondary downside risk to our projections and TP.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

ITC is among the top-five global OEM pet food manufacturers for leading branded manufacturers. ITC has clear targets for pollution reduction, and it is implementing various measures to achieve these goals, although its manufacturing-based business releases sizable amounts of pollutants by nature. Our ESG score is 3.74.

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)
ITC	-	-	-	-	-	-	-	-	-

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" toward the back of this report.

Factors

Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- ITC is among the top-five global OEM pet food manufacturers whose customers are leading branded pet food providers. The company has pollution release measurement systems and it also has specific plans to achieve its ESG targets. ITC has shown its ability to reduce the release of greenhouse gases (GHG) over the years.
- ITC expects recycled material to account for 30% of its packaging products by 2025.
- The company has been reducing electricity usage. Its power usage fell by 76% after it installed electricity reduction tools a few years earlier.
- ITC has cut emissions of GHG by over 10% since 2019.

SOCIAL

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

- ITC has received ISO 14001 certification to ensure it attempts to reduce GHG emissions.
- ITC has installed in-house rainwater tanks allowing it to use less public water, therefore leaving more available for the community.
- ITC has been active in providing support such as donations to public schools and offering other help to those in need.

GOVERNANCE & SUSTAINABILITY

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

- ITC has a 10-member board of directors (BOD), which we see as appropriate for its business scale. Of the 10 members, four are independent directors.
- ITC has highly diversified pet food products, e.g., dry and wet forms for cats and dogs.
- ITC has been active in developing automation to reduce its workforce, although the process has been gradual.

Sources: Thanachart, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	7,108	22,528	13,797	15,089	16,055
Cost of sales	6,043	17,104	11,196	11,922	12,472
Gross profit	1,065	5,425	2,601	3,167	3,584
% gross margin	15.0%	24.1%	18.9%	21.0%	22.3%
Selling & administration expenses	580	1,266	1,200	1,260	1,285
Operating profit	485	4,158	1,401	1,907	2,298
% operating margin	6.8%	18.5%	10.2%	12.6%	14.3%
Depreciation & amortization	236	571	705	848	956
EBITDA	720	4,729	2,106	2,755	3,254
% EBITDA margin	10.1%	21.0%	15.3%	18.3%	20.3%
Non-operating income	84	248	520	520	520
Non-operating expenses	0	0	0	0	0
Interest expense	(25)	(86)	(6)	(26)	(52)
Pre-tax profit	544	4,320	1,916	2,401	2,767
Income tax	(20)	70	86	108	124
After-tax profit	564	4,250	1,829	2,293	2,642
% net margin	7.9%	18.9%	13.3%	15.2%	16.5%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	23	0	0	0	0
Extraordinary items	1,012	220	0	0	0
NET PROFIT	1,599	4,470	1,830	2,294	2,642
Normalized profit	587	4,250	1,830	2,294	2,642
EPS (Bt)	0.7	1.7	0.6	0.8	0.9
Normalized EPS (Bt)	0.2	1.6	0.6	0.8	0.9

A lower base of earnings

BALANCE SHEET

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	10,460	20,322	20,104	22,498	23,620
Cash & cash equivalent	68	11,013	15,000	17,000	18,000
Account receivables	1,090	3,554	2,177	2,380	2,533
Inventories	3,845	4,457	2,917	3,107	3,075
Others	5,457	1,298	10	11	12
Investments & loans	0	0	0	0	0
Net fixed assets	4,171	4,893	6,488	7,041	7,485
Other assets	303	534	532	532	532
Total assets	14,934	25,750	27,124	30,071	31,637
LIABILITIES:					
Current liabilities:	9,876	2,527	2,662	2,838	2,967
Account payables	4,356	2,355	1,542	1,642	1,717
Bank overdraft & ST loans	672	0	0	0	0
Current LT debt	0	0	0	0	0
Others current liabilities	4,847	172	1,121	1,197	1,249
Total LT debt	100	0	395	2,099	2,993
Others LT liabilities	626	616	388	422	447
Total liabilities	10,602	3,143	3,446	5,359	6,407
Minority interest	3	(1)	(1)	(2)	(2)
Preferreds shares	0	0	0	0	0
Paid-up capital	360	3,000	3,000	3,000	3,000
Share premium	240	18,395	18,395	18,395	18,395
Warrants	0	0	0	0	0
Surplus	(566)	128	128	128	128
Retained earnings	4,294	1,084	2,157	3,190	3,708
Shareholders' equity	4,329	22,607	23,680	24,713	25,231
Liabilities & equity	14,934	25,750	27,124	30,071	31,637

*A net-cash position
allowing for swift
expansion*

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	544	4,320	1,916	2,401	2,767
Tax paid	(98)	(47)	(102)	(104)	(126)
Depreciation & amortization	236	571	705	848	956
Chg In working capital	3,947	(5,077)	2,103	(293)	(45)
Chg In other CA & CL / minorities	230	(1,013)	2,253	70	53
Cash flow from operations	4,859	(1,247)	6,875	2,923	3,605
Capex	(551)	(1,291)	(2,300)	(1,400)	(1,400)
Right of use	126	(10)	0	0	0
ST loans & investments	(556)	556	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	1,070	(99)	(226)	34	25
Cash flow from investments	89	(844)	(2,526)	(1,366)	(1,375)
Debt financing	(3,200)	(773)	395	1,704	894
Capital increase	0	20,795	0	0	0
Dividends paid	(1,257)	(7,670)	(757)	(1,260)	(2,124)
Warrants & other surplus	(535)	684	0	0	0
Cash flow from financing	(4,992)	13,036	(362)	444	(1,230)
Free cash flow	4,309	(2,538)	4,575	1,523	2,205

Capex to support its growth plan

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	76.1	11.8	30.5	24.3	21.1
Normalized PE - at target price (x)	90.0	14.0	36.1	28.8	25.0
PE (x)	27.9	11.2	30.5	24.3	21.1
PE - at target price (x)	33.0	13.3	36.1	28.8	25.0
EV/EBITDA (x)	62.9	8.3	19.6	14.8	12.5
EV/EBITDA - at target price (x)	74.3	10.2	24.4	18.6	15.7
P/BV (x)	10.3	2.5	2.4	2.3	2.2
P/BV - at target price (x)	12.2	2.9	2.8	2.7	2.6
P/CFO (x)	9.2	(40.3)	8.1	19.1	15.5
Price/sales (x)	7.9	2.5	4.0	3.7	3.5
Dividend yield (%)	0.0	1.1	1.6	2.9	4.7
FCF Yield (%)	9.7	(5.0)	8.2	2.7	4.0
(Bt)					
Normalized EPS	0.2	1.6	0.6	0.8	0.9
EPS	0.7	1.7	0.6	0.8	0.9
DPS	0.0	0.2	0.3	0.5	0.9
BV/share	1.8	7.5	7.9	8.2	8.4
CFO/share	2.0	(0.5)	2.3	1.0	1.2
FCF/share	1.8	(0.9)	1.5	0.5	0.7

Sources: Company data, Thanachart estimates

PE has been de-rated enough, in our view

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	2.2	217.0	(38.8)	9.4	6.4
Net profit (%)	(10.2)	179.6	(59.1)	25.4	15.2
EPS (%)	(10.2)	148.3	(63.1)	25.4	15.2
Normalized profit (%)	(39.9)	624.4	(56.9)	25.4	15.2
Normalized EPS (%)	(39.9)	543.3	(61.2)	25.4	15.2
Dividend payout ratio (%)	0.0	13.4	50.0	70.0	100.0
Operating performance					
Gross margin (%)	15.0	24.1	18.9	21.0	22.3
Operating margin (%)	6.8	18.5	10.2	12.6	14.3
EBITDA margin (%)	10.1	21.0	15.3	18.3	20.3
Net margin (%)	7.9	18.9	13.3	15.2	16.5
D/E (incl. minor) (x)	0.2	0.0	0.0	0.1	0.1
Net D/E (incl. minor) (x)	0.2	(0.5)	(0.6)	(0.6)	(0.6)
Interest coverage - EBIT (x)	19.6	48.4	248.6	74.0	44.4
Interest coverage - EBITDA (x)	29.2	55.0	373.7	106.8	62.9
ROA - using norm profit (%)	4.6	20.9	6.9	8.0	8.6
ROE - using norm profit (%)	13.3	31.6	7.9	9.5	10.6
DuPont					
ROE - using after tax profit (%)	12.7	31.6	7.9	9.5	10.6
- asset turnover (x)	0.6	1.1	0.5	0.5	0.5
- operating margin (%)	8.0	19.6	13.9	16.1	17.6
- leverage (x)	2.9	1.5	1.1	1.2	1.2
- interest burden (%)	95.7	98.0	99.7	98.9	98.2
- tax burden (%)	103.6	98.4	95.5	95.5	95.5
WACC (%)	10.7	10.7	10.7	10.7	11.2
ROIC (%)	6.0	81.3	11.5	20.1	22.4
NOPAT (Bt m)	502	4,091	1,338	1,821	2,195
invested capital (Bt m)	5,033	11,594	9,075	9,812	10,225

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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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
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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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