

SELL (Unchanged)

Change in Numbers

TP: Bt 56.00

Downside : 13.8%

(Unchanged)

11 OCTOBER 2023

Small Cap Research

Thonburi Healthcare Group (THG TB)

Growth story in the price



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THG's five-year plan targets to almost double its revenue from this year via existing hospital growth, new greenfield hospitals, and new acquisitions. However, we see the current share price, trading at 47.6/41.8x PE in 2024-25F, already reflecting market expectations of its expansion plan. We, therefore, maintain our SELL rating on THG.

THG's five-year plan

THG's five-year plan targets its revenue to reach Bt20bn in 2028, almost double this year's level. Key drivers are 15% p.a. revenue growth of existing hospitals via existing and new capacity, new greenfield hospitals, and two to three acquisitions a year. At the same time, THG also targets to enhance its financial status and liquidity strength by undertaking asset spin-offs of two to three hospitals over the next few years and planning to close its residential Jin Wellbeing County (JWC) project in 2025.

Improving existing hospital business

After THG's earnings were hit by a major investment phase for a few years before the COVID crisis began, losses from Thonburi Thungsong and Thonburi Burana came down. Meanwhile, Thonburi Bamrungmuang and Aryu International have started to make profits. At the same time, the operations of THG's three main campuses (Thonburi, Thonburi Thawiwatthana, and Rajyindee) will also likely improve, supported by rising cash patients. The only reason that 2023F earnings are lower than 2022F's is because of falling COVID income. Excluding COVID income, we estimate THG's earnings base to reach a new high of Bt925m in 2023F and then grow by 25/14% in 2024-25F.

Asset spin-offs and restructuring

With THG's capex plan of Bt4.7bn for existing hospitals' capacity expansion in 2023-25 and Bt1.5bn for new acquisitions, it targets to spin off two to three hospitals by listing them on the stock market over the next few years, i.e., Thonburi Sermrath (the old name was Thonburi Hospital Heart Center) (100% owned), Thonburi Bamrungmuang (95% owned), and another hospital in the south of Thailand. THG also targets to seek investors to buy big lots of the remaining units at its JWC project. The total units transferred from 2018-1H23 came to 244 out of a total of 494 units. THG plans to close its JWC project by the end of 2025.

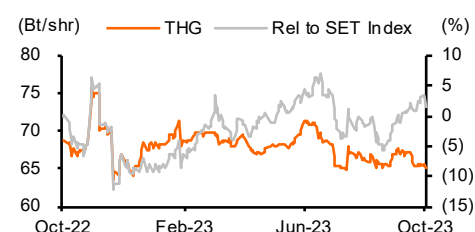
Cutting our earnings

We cut our earnings by 7/3/2% in 2023-25F to reflect 1) its weaker-than-expected gross margin and 2) higher-than-expected interest expenses. However, after rolling over our valuation base year to 2024F, our DCF-based TP remains unchanged at Bt56.0/share. We reaffirm our SELL rating on THG. **First**, we see its trading PE multiples of 47.6/41.8x in 2024-25F vs. its EPS growth of 25/14% in 2024-25F as rich. **Second**, although we have a positive view of THG's growth plan via organic and inorganic growth models, we believe the share price has already reflected the market's expectations of more new acquisitions over the next three years.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	11,540	10,789	12,396	14,086
Net profit	1,602	925	1,157	1,317
Consensus NP	—	1,116	1,197	1,331
Diff frm cons (%)	—	(17.1)	(3.3)	(1.0)
Norm profit	1,497	925	1,157	1,317
Prev. Norm profit	—	997	1,188	1,339
Chg frm prev (%)	—	(7.2)	(2.6)	(1.6)
Norm EPS (Bt)	1.8	1.1	1.4	1.6
Norm EPS grw (%)	9.3	(38.2)	25.1	13.8
Norm PE (x)	36.8	59.5	47.6	41.8
EV/EBITDA (x)	22.9	24.8	22.2	20.2
P/BV (x)	5.4	5.3	5.0	4.8
Div yield (%)	1.4	1.0	1.3	1.4
ROE (%)	15.5	9.0	10.9	11.7
Net D/E (%)	76.0	58.3	50.3	42.3

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 11-Oct-23 (Bt)	65.00
Market Cap (US\$ m)	1,512.9
Listed Shares (m shares)	847.5
Free Float (%)	40.3
Avg Daily Turnover (US\$ m)	1.6
12M Price H/L (Bt)	75.75/63.50
Sector	Health Care
Major Shareholder	RAM 21.06%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P9

THG's five-year plan

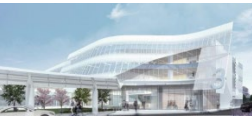
Targets revenue to double by 2028

Thonburi Healthcare Group Pcl's (THG) management has set out the company's five-year targets from 2024-28. THG expects its revenue to continue to grow year by year and reach Bt20bn in 2028, almost double this year's level. Key revenue growth drivers are as follows:

- Around 15% p.a. revenue growth in existing hospitals via existing capacity and new capacity expansions.
- Investing in new greenfield projects and acquiring two to three hospitals annually.
- Strengthening the company's financial status and liquidity by conducting asset spin-offs of two to three hospitals over the next few years.
- Closing its residential Jin Wellbeing County (JWC) project in 2025.

THG's expansion plan for existing hospitals and new greenfield projects is shown in Exhibit 1. At the end of 2Q23, THG had a total of 1,193 beds from seven subsidiary hospitals. After the expansion, THG's subsidiary beds would increase by 8% to 1,289 beds in 2026.

Ex 1: Expansion And New Projects In The Pipeline

	Hospital	Project	Location	Facility	Capex (Bt m)	Opening Date
	Thonburi	OPD Building	Pran Nok, Bangkok	90 OPD rooms	600	1Q24
	Thonburi Thawiwatthana	Building 3	Thawiwatthana, Bangkok	45 OPD rooms 49 IPD beds	422	3Q24
	Rajyindee	Wellness center and car parking	Hat Yai	5 OPD rooms	150	2Q24
	Rajyindee	7 th floor building	Hat Yai	10 OPD rooms 24 IPD beds	350	4Q26
	Thonburi Trang	Thonburi Lanta Medical Center	Koh Lanta, Krabi	4 OPD rooms 23 IPD beds	170	4Q24
	Thonburi Rangsit*	New investment	Patumthani	80 OPD rooms 250 IPD beds	2,700	3Q26

Source: Company data

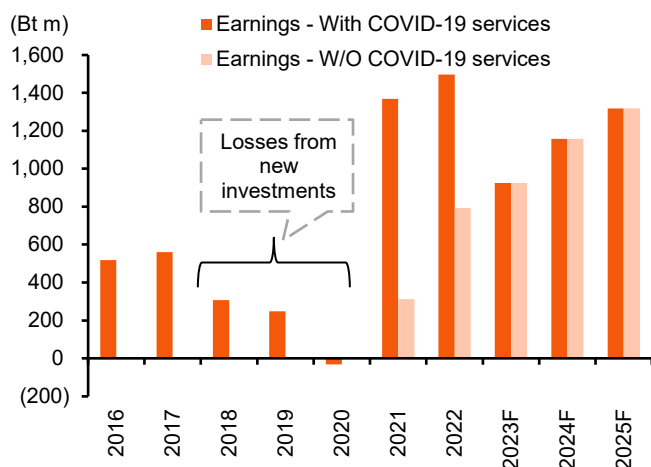
Note: * THG holds 30% in this hospital

Improving existing hospital business

We estimate THG's earnings to reach a new high of Bt925m in 2023F

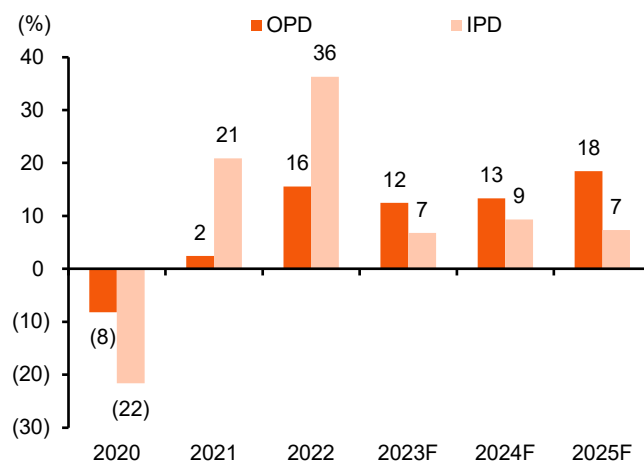
After THG's earnings in 2017-19 were hit by a major investment phase for a few years before the COVID crisis began, losses from its 60%-owned Thonburi Thungsong and 100%-owned Thonburi Burana have come down. Meanwhile, its 95%-owned Thonburi Bamrungmuang and 40%-owned Aryu International have started to make profits. At the same time, the operations of THG's three main campuses (Thonburi, Thonburi Thawiwatthana, and Rajyindee) also look set to improve, supported by rising cash patients. The only reason 2023F earnings are lower than 2022F's is because of falling COVID income. Excluding COVID income, we estimate THG's earnings base to reach a new high of Bt925m in 2023F and then grow by 25/14% in 2024-25F.

Ex 2: Earnings



Sources: Company data, Thanachart estimates

Ex 3: OPD And IPD Growth



Sources: Company data, Thanachart estimates

Asset spin-offs and restructuring

THG targets to spin off two to three hospitals over the next few years

THG targets to spend capex of Bt4.7bn to expand capacity at its existing hospitals in 2023-25 and spend around Bt1.5bn on new acquisitions in 2023-24. To finance the company's new investment and acquisitions, THG targets to spin off two to three hospitals by listing them on the stock market over the next few years, i.e., Thonburi Sermrath (100% owned by THG), Thonburi Bamrungmuang (95% owned by THG) and another hospital in the south of Thailand. THG plans to submit the filing for Thonburi Sermrath late this year and list it on the stock market early next year. Then, THG would likely list Thonburi Bamrungmuang on the stock market in late 2024.

Note that Thonburi Sermrath changed its name from Thonburi Hospital Heart Center. The hospital focuses on providing management services for heart centers in both the public and private sectors. The company provides teams of reputable cardiologists to treat patients. Presently, three heart centers are under management, i.e., Thonburi Thawiwatthana Heart Center, Phatthalung Hospital Heart Center, and Panyanantaphikkhu Chonprathan Medical Center Heart Center. For Thonburi Bamrungmuang, it is a 127-bed hospital. It is an individualized health service center providing tertiary care services to Thai and international patients.

**THG targets to close JWC
by the end of 2025**

For the JWC project, THG is seeking investors to buy big lots of the remaining units. The total units transferred from 2018-1H23 came to 244 out of a total of 494 units. THG targets 50 units to be transferred by the end of this year (13 units were transferred in 1H23), and it hopes to close the JWC project by the end of 2025.

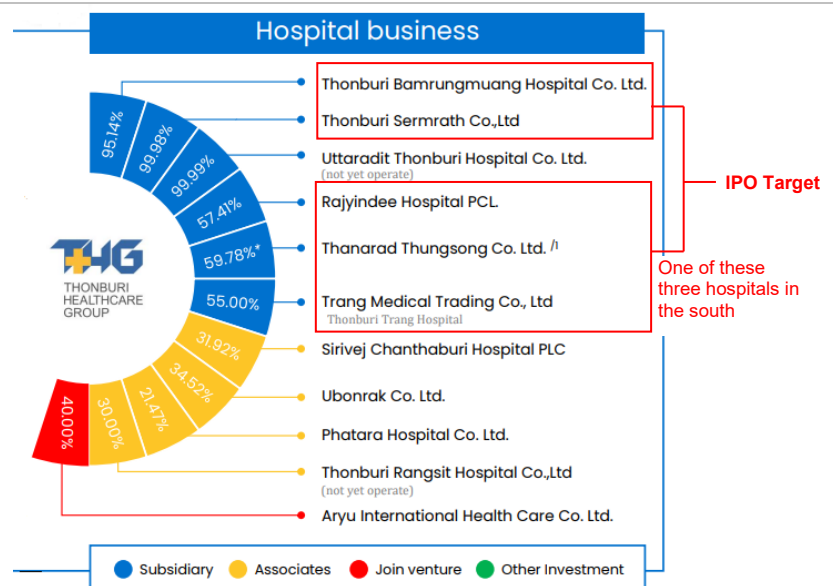
Note that our projections do not yet factor in the company's acquisition plans and asset spin-offs. Based on the company's capacity expansion and new investment plan, we estimate the company's net D/E ratio at 0.6/0.5/0.4x in 2023-25F.

Ex 4: Investment Plan

Projects	1H23	2H23	2024F	2025F	3 years plan
Thonburi Hospital 1/THG	222	356	622	960	2,160
Thonburi Thawiwatthana Hospital	42	251	363	306	962
Thonburi Bamrungmuang	184	16	100	120	420
Jin Wellbeing County	3	47	—	—	50
Thonburi Health Village	15	35	—	—	50
Rjyindee Hospital	81	136	212	240	669
Thonburi Thungsong Hospital	3	11	13	13	40
Thonburi Trang	6	43	170	159	378
Total	556	895	1,480	1,798	4,729

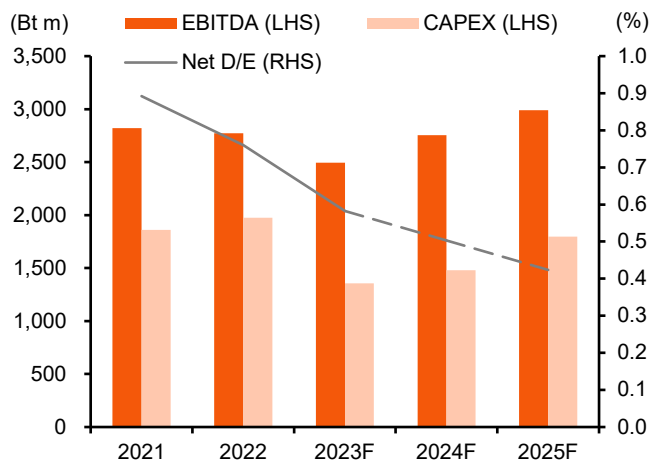
Source: Company data

Ex 5: Companies Under THG's Umbrella



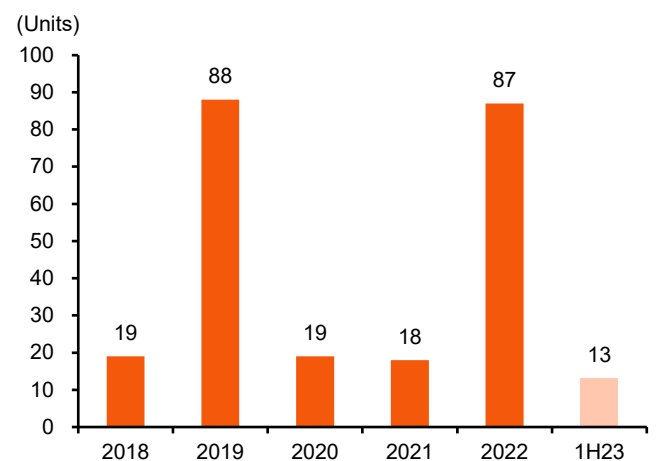
Source: Company data

Ex 6: EBITDA, Capex And Net D/E



Sources: Company data, Thanachart estimates

Ex 7: JWC's Transferred Units



Source: Company data

Cutting our earnings

We downgrade our earnings by 7/3/2% in 2023-25F

We lower our earnings by 7/3/2% in 2023-25F to reflect 1) its weaker-than-expected gross margin and 2) higher-than-expected interest expenses due to its higher investment budget and interest rates. Though we cut our earnings after rolling over our base year to 2024F, our 12-month DCF-based TP remains unchanged at Bt56.0/share.

Ex 8: Changes In Our Key Assumptions And Earnings Revisions

	2019	2020	2021	2022	2023F	2024F	2025F
Gross margin (%)							
- New	22.7	21.4	31.7	30.2	29.8	29.7	29.1
- Old					30.7	31.0	30.9
- Change (ppt)					(0.9)	(1.4)	(1.8)
SG&A to sales (%)							
- New	17.0	19.2	14.4	14.9	16.9	16.9	16.7
- Old					18.4	18.2	17.8
- Change (ppt)					(1.5)	(1.3)	(1.2)
Interest expense (Bt m)							
- New	216	281	299	305	451	408	373
- Old					350	312	266
- Change (%)					28.8	30.7	40.2
Norm profit (Bt m)							
- New	248	(32)	1,369	1,497	925	1,157	1,317
- Old					997	1,188	1,339
- Change (%)					(7.2)	(2.6)	(1.6)

Sources: Company data, Thanachart estimates

Maintaining our SELL call

We reaffirm our SELL rating on THG due to the following reasons:

First, we see THG's trading PE multiples of 47.6/41.8x in 2024-25F vs. its EPS growth of 25/14% in 2024-25F as rich.

Second, though we have a positive view of THG's growth plan via organic and inorganic growth models, we believe the share price has already reflected the market's expectations of more new acquisition deals over the next three years.

Ex 9: 12-month DCF-based TP Calculation Using A Base Year Of 2024F

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal value
EBITDA excl. depre from right of use	2,593	2,829	3,070	3,265	3,488	3,730	3,978	4,241	4,520	4,818	5,123	—
Free cash flow	1,624	1,614	3,136	2,730	3,426	3,212	3,453	3,709	3,975	4,257	4,553	72,520
PV of free cash flow	1,504	1,385	2,493	2,011	2,337	2,030	2,022	1,944	1,922	1,899	1,873	29,838
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	7.5											
Terminal growth (%)	2.0											
Enterprise value - add investments	55,650											
Net debt (end 2023F)	6,678											
Minority interest	1,120											
Equity value ^{1/}	47,852											
# of shares (m)	847.5											
Equity value / share (Bt)	56.00											

Sources: Company data, Thanachart estimates

Note: ^{1/} Including the Bt3.0bn value of three land plots in Ratchaburi, Surat Thani (Samui) and Rangsit, Pathum Thani and its investment in Rajthanee Hospital and Ratchaphruek Hospital

Valuation Comparison

Ex 10: 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)	(%)	(%)
Ramsay Healthcare	RHC AU	Australia	18.5	(3.0)	34.5	35.6	2.8	2.7	11.7	10.9	1.9	1.8
Guangzhou Pharmaceutical	874 HK	Hong Kong	8.3	(0.1)	8.3	8.3	1.0	0.9	7.8	7.9	3.6	3.6
Lijun Int'l Pharmaceutical	2005 HK	Hong Kong	21.8	24.0	9.7	7.9	1.9	1.6	8.3	6.9	3.6	4.3
Apollo Hospitals Enterprise	APHS IN	India	2.7	26.0	87.1	69.1	11.4	10.3	36.1	30.6	0.2	0.2
Fortis Healthcare India	FORH IN	India	(8.5)	17.7	46.8	39.8	3.8	3.1	23.4	20.8	0.0	0.2
KPJ Healthcare	KPJ MK	Malaysia	27.6	10.2	24.5	22.2	2.3	2.1	11.3	10.6	2.1	2.4
IHH Healthcare Bhd	IHH MK	Malaysia	2.9	14.9	34.0	29.6	1.9	1.8	14.3	13.5	2.1	1.3
Ryman	RYM NZ	New Zealand	0.6	(5.6)	11.8	12.4	0.8	0.8	15.9	19.9	1.5	2.4
Raffles Medical Group	RFMD SP	Singapore	(17.2)	0.0	19.2	19.2	2.2	2.1	10.4	10.3	2.9	2.8
Bangkok Chain Hospital *	BCH TB	Thailand	(66.3)	24.8	38.1	30.5	4.1	3.9	18.7	16.2	1.6	2.0
Bangkok Dusit Medical *	BDMS TB	Thailand	3.4	12.6	33.5	29.8	4.7	4.5	22.1	19.9	2.2	2.5
Bumrungrad Hospital *	BH TB	Thailand	37.0	11.0	30.9	27.8	8.9	7.9	21.3	19.2	1.6	2.5
Chularat Hospital *	CHG TB	Thailand	(63.6)	16.4	33.8	29.0	4.7	4.5	22.9	19.5	2.4	2.9
Praram 9 Hospital *	PR9 TB	Thailand	(7.0)	16.6	25.2	21.6	2.6	2.5	12.4	10.7	1.8	2.3
Thonburi Healthcare Group*	THG TB	Thailand	(38.2)	25.1	59.5	47.6	5.3	5.0	24.8	22.2	1.0	1.3
Average			(5.2)	12.7	33.1	28.7	3.9	3.6	17.4	15.9	1.9	2.2

Source: Bloomberg

Note: * Thanachart estimates, using Thanachart normalized EPS

Based on 11 Oct 2023 closing prices

COMPANY DESCRIPTION

Thonburi Healthcare Group Pcl (THG) was established on 13 August 1976 by the Vanasin family, which is the major shareholder of the company. THG is engaged in three businesses: 1) hospital business (private hospitals, hospital management services, and step-down care services), 2) a healthcare solutions provider business (medical services for elderly people, chronic illness patients at customer homes, and selling dental products, devices, and equipment), and 3) other related businesses such as modular software expertise.

Source: Thanachart

THANACHART’S SWOT ANALYSIS

S — Strength

- Very strong “Thonburi” brand in Thailand for over 46 years.
- Owners and the company executives have strong relationships with doctors and professors from the medical school at Mahidol University and Siriraj Hospital.
- Provides fully integrated healthcare services.

O — Opportunity

- Limited public healthcare supply and rising healthcare demand in Thailand, China, and the CLMV market.
- Poor healthcare infrastructure in the CLMV market while healthcare demand is rising amid changes in demographic trends.
- Rising patient flows from neighbouring countries.
- COVID-19 pandemic.

CONSENSUS COMPARISON

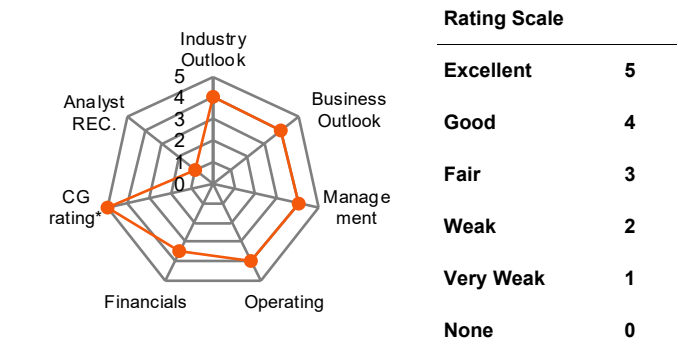
	Consensus	Thanachart	Diff
Target price (Bt)	51.00	56.00	10%
Net profit 23F (Bt m)	1,116	925	-17%
Net profit 24F (Bt m)	1,197	1,157	-3%
Consensus REC	BUY: 0	HOLD: 0	SELL: 4

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024F earnings estimate is in line with the Street’s.
- Our DCF-based TP is above the Bloomberg consensus number, which we attribute to the rollover of our base year to 2024F.

Sources: Bloomberg consensus, Thanachart estimates

COMPANY RATING



Source: Thanachart; * CG Rating

W — Weakness

- Limited patient-base diversification as THG still mainly focuses on cash patients in the mid- to high-tier markets.

T — Threat

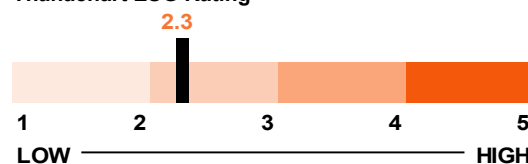
- Competition from other private hospitals, public hospitals’ specialist clinics, and Siriraj Piyamaharajkarun Hospital (SiPH).
- Regulatory and political risks.
- COVID-19 outbreak.

RISKS TO OUR INVESTMENT CASE

- If the number of cash patients at THG’s hospitals in Thailand or revenue from existing and new hospitals or management of excellence centers is stronger than our expectations, this would present an upside risk to our earnings estimates.
- If equity-income contributions from its affiliated hospitals in Thailand and Myanmar were to come in above our expectations, this would lead to upside risk to our earnings forecasts.
- If unit sales for the senior homecare project are higher than our current expectation, this would lead to lower liquidity risk for the company.

Source: Thanachart

THG is among the top five hospital chains in Thailand with a total registered bed capacity of 1,193. It has seven hospitals in operation and two health-service residential projects for sale and rent. While the company doesn't produce much greenhouse gas, it has a good focus on other areas of ESG. Our ESG score for THG is decent at 2.3.

Thanachart ESG Rating


	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
THG	-	-	-	-	-	-	17.00	-	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms of use" toward the back of this report.

Factors
Our Comments
ENVIRONMENT

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

- THG is one of the five biggest hospital chains in Thailand in terms of size. Its brand is well established with a strong reputation in the mid-end segment of the industry. THG doesn't produce much greenhouse gas (GHG), but it has a good focus on other ESG issues.
- THG runs its operation in accordance with the ISO standard of ISO 9001: 2015.
- Energy conservation measures in 2022 were changing the filling of its four cooling towers, changing the propellers of these towers, replacing light bulbs with LED lighting, installing additional power meters and energy monitoring, and organizing training plans and activities to promote energy conservation. THG has set a target to implement 1.5% more energy savings than in the previous year.
- THG has been participating in carbon-offsetting activities by acquiring carbon credits from a GHG reduction program to offset the organization's GHG emissions. THG plans to start finding ways and setting a goal to reduce GHG emissions next year.

SOCIAL

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

- THG has a policy to promote respect for human rights and equality without discrimination and division with respect to nationality, race, gender, religion, political beliefs, or any other types of belief, background, assets, origin, or status.
- THG has guidelines for employee treatment whereby management treats employees fairly and without bias. Staff are encouraged and supported to develop their potential and to improve work efficiency.
- THG hospital group complies with various quality standards and standards of service, such as Hospital Accreditation (HA).
- THG's social responsibility activities consist of caring for the environment in surrounding communities, providing health knowledge, and organizing activities to make people aware of health care.

**GOVERNANCE &
SUSTAINABILITY**

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

- THG has a 13-member board of directors (BOD). Five directors are women. The BOD comprises directors with diverse qualifications, including skills, experience, and abilities.
- THG complies with the Personal Data Protection Act (PDPA). It has invited consultants to educate, provide guidelines, and prepare action plans relating to the act.
- THG makes sure its businesses are operating in accordance with its code of ethics and good corporate governance.
- THG develops innovations in medical services and modern technology to enhance its ability to meet customers' requirements.

Sources: Thanachart, Company data

INCOME STATEMENT

THG's business
turnaround

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	10,847	11,540	10,789	12,396	14,086
Cost of sales	7,406	8,054	7,579	8,717	9,992
Gross profit	3,442	3,486	3,210	3,679	4,095
% gross margin	31.7%	30.2%	29.8%	29.7%	29.1%
Selling & administration expenses	1,566	1,720	1,820	2,096	2,351
Operating profit	1,876	1,766	1,390	1,583	1,744
% operating margin	17.3%	15.3%	12.9%	12.8%	12.4%
Depreciation & amortization	944	1,006	1,105	1,170	1,245
EBITDA	2,820	2,771	2,495	2,753	2,989
% EBITDA margin	26.0%	24.0%	23.1%	22.2%	21.2%
Non-operating income	163	339	144	146	147
Non-operating expenses	(6)	(25)	(12)	0	0
Interest expense	(299)	(305)	(451)	(408)	(373)
Pre-tax profit	1,735	1,775	1,072	1,321	1,518
Income tax	377	354	225	264	304
After-tax profit	1,358	1,421	847	1,057	1,214
% net margin	12.5%	12.3%	7.8%	8.5%	8.6%
Shares in affiliates' Earnings	31	151	201	230	241
Minority interests	(19)	(75)	(123)	(130)	(138)
Extraordinary items	(32)	105	0	0	0
NET PROFIT	1,337	1,602	925	1,157	1,317
Normalized profit	1,369	1,497	925	1,157	1,317
EPS (Bt)	1.6	1.9	1.1	1.4	1.6
Normalized EPS (Bt)	1.6	1.8	1.1	1.4	1.6

BALANCE SHEET

More new capacity
scheduled to come on
stream in 2024-25

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	7,018	7,008	5,366	4,283	3,985
Cash & cash equivalent	1,482	2,586	1,350	500	500
Account receivables	3,183	2,246	2,306	2,208	2,123
Inventories	2,257	1,924	1,453	1,314	1,095
Others	96	252	257	262	267
Investments & loans	1,450	1,729	1,729	1,729	1,729
Net fixed assets	11,660	12,568	13,031	13,554	14,319
Other assets	3,670	3,776	3,668	3,561	3,456
Total assets	23,799	25,081	23,794	23,127	23,488
LIABILITIES:					
Current liabilities:	8,734	7,921	7,868	6,995	6,790
Account payables	2,813	1,498	1,453	1,672	1,916
Bank overdraft & ST loans	3,976	4,532	4,817	3,939	3,556
Current LT debt	1,630	1,581	1,285	1,051	948
Others current liabilities	316	310	313	333	369
Total LT debt	4,461	4,967	1,927	1,576	1,423
Others LT liabilities	986	1,017	2,538	2,492	2,453
Total liabilities	14,181	13,905	12,332	11,063	10,665
Minority interest	471	998	1,120	1,120	1,258
Preferreds shares	0	0	0	0	0
Paid-up capital	849	847	847	847	847
Share premium	6,868	6,896	6,896	6,896	6,896
Warrants	0	0	0	0	0
Surplus	(655)	(587)	(587)	(587)	(587)
Retained earnings	2,086	3,022	3,184	3,787	4,409
Shareholders' equity	9,147	10,178	10,341	10,943	11,566
Liabilities & equity	23,799	25,081	23,794	23,127	23,488

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

Improving cash inflow

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	1,735	1,775	1,072	1,321	1,518
Tax paid	(169)	(375)	(222)	(244)	(269)
Depreciation & amortization	944	1,006	1,105	1,170	1,245
Chg In working capital	506	(45)	366	456	548
Chg In other CA & CL / minorities	99	462	196	96	236
Cash flow from operations	3,114	2,823	2,517	2,799	3,278
Capex	(1,774)	(1,695)	(1,355)	(1,480)	(1,798)
Right of use	(9)	(41)	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	(85)	(279)	0	0	0
Adj for asset revaluation	134	68	0	0	0
Chg In other assets & liabilities	(519)	(147)	1,416	(151)	(147)
Cash flow from investments	(2,252)	(2,094)	61	(1,631)	(1,945)
Debt financing	345	1,013	(3,051)	(1,463)	(638)
Capital increase	6	27	0	0	0
Dividends paid	(252)	(758)	(763)	(555)	(694)
Warrants & other surplus	26	92	0	0	0
Cash flow from financing	125	374	(3,814)	(2,018)	(1,333)
Free cash flow	1,340	1,128	1,161	1,319	1,480

VALUATION

Expensive valuation, in our view

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	40.2	36.8	59.5	47.6	41.8
Normalized PE - at target price (x)	34.7	31.7	51.3	41.0	36.0
PE (x)	41.2	34.4	59.5	47.6	41.8
PE - at target price (x)	35.5	29.6	51.3	41.0	36.0
EV/EBITDA (x)	22.6	22.9	24.8	22.2	20.2
EV/EBITDA - at target price (x)	19.9	20.2	21.7	19.4	17.7
P/BV (x)	6.0	5.4	5.3	5.0	4.8
P/BV - at target price (x)	5.2	4.7	4.6	4.3	4.1
P/CFO (x)	17.7	19.5	21.9	19.7	16.8
Price/sales (x)	5.1	4.8	5.1	4.4	3.9
Dividend yield (%)	1.4	1.4	1.0	1.3	1.4
FCF Yield (%)	2.4	2.0	2.1	2.4	2.7
(Bt)					
Normalized EPS	1.6	1.8	1.1	1.4	1.6
EPS	1.6	1.9	1.1	1.4	1.6
DPS	0.9	0.9	0.7	0.8	0.9
BV/share	10.8	12.0	12.2	12.9	13.6
CFO/share	3.7	3.3	3.0	3.3	3.9
FCF/share	1.6	1.3	1.4	1.6	1.7

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

*Improving financial
status*

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	48.3	6.4	(6.5)	14.9	13.6
Net profit (%)	2,052.7	19.8	(42.2)	25.1	13.8
EPS (%)	2,052.7	19.8	(42.2)	25.1	13.8
Normalized profit (%)	na	9.3	(38.2)	25.1	13.8
Normalized EPS (%)	na	9.3	(38.2)	25.1	13.8
Dividend payout ratio (%)	57.1	47.6	60.0	60.0	60.0
Operating performance					
Gross margin (%)	31.7	30.2	29.8	29.7	29.1
Operating margin (%)	17.3	15.3	12.9	12.8	12.4
EBITDA margin (%)	26.0	24.0	23.1	22.2	21.2
Net margin (%)	12.5	12.3	7.8	8.5	8.6
D/E (incl. minor) (x)	1.0	1.0	0.7	0.5	0.5
Net D/E (incl. minor) (x)	0.9	0.8	0.6	0.5	0.4
Interest coverage - EBIT (x)	6.3	5.8	3.1	3.9	4.7
Interest coverage - EBITDA (x)	9.4	9.1	5.5	6.8	8.0
ROA - using norm profit (%)	6.2	6.1	3.8	4.9	5.7
ROE - using norm profit (%)	16.1	15.5	9.0	10.9	11.7
DuPont					
ROE - using after tax profit (%)	15.9	14.7	8.3	9.9	10.8
- asset turnover (x)	0.5	0.5	0.4	0.5	0.6
- operating margin (%)	18.7	18.0	14.1	13.9	13.4
- leverage (x)	2.6	2.5	2.4	2.2	2.1
- interest burden (%)	85.3	85.3	70.4	76.4	80.3
- tax burden (%)	78.3	80.0	79.0	80.0	80.0
WACC (%)	7.9	7.9	7.9	7.9	7.9
ROIC (%)	8.6	8.0	5.9	7.4	8.2
NOPAT (Bt m)	1,468	1,413	1,098	1,266	1,395
invested capital (Bt m)	17,731	18,672	17,019	17,009	16,993

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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BB - BBB - A	AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	LEADER: A company leading its industry in managing the most significant ESG risks and opportunities

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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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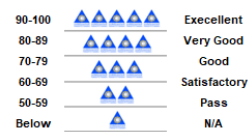
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Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is 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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