

BUY (Unchanged/)

Change in Numbers

TP: Bt 43.00

(From: Bt 45.00)

27 JUNE 2024**Upside : 39.8%**

Central Retail Corp Pcl (CRC TB)

Post-Tokyo conference

CRC joined our Daiwa-Thanchart Thai corporate day in Tokyo for the second consecutive year on 20-21 June. Japanese investors are worried about the overall Thai economy and CRC's Vietnam business operations, but are convinced of CRC's market share gain story in the Thai DIY segment and food business in both Thailand and Vietnam.

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Met with Japanese investors

Thanchart Securities, in cooperation with Daiwa Capital Markets, hosted a conference in Tokyo. CRC was one of the four corporates at the event, which was the second time CRC had attended. Investors met Mr. Panet Mahankanurak, CFO, and Ms. Rangsirach Pornsutee, Head IR. Investors were familiar with CRC's businesses and keen to get business updates on Thailand and Vietnam amid a slower-than-expected economic recovery and political instability. They were pleased to learn about the mid-to-long-term growth strategy of continuing branch expansion of the underpenetrated DIY home improvement and food segments.

2Q24F update

Same-store sales (SSS) growth in April-May turned to a low single-digit negative figure of around 2% (vs. our +3% SSSG projection earlier) due to weaker operations in Thailand (dragged by fashion and hardline) and Vietnam (food lost 1Q24's good momentum) while Italy remained strong. MTD in June showed a better trend, and we expect -1.5% SSSG for 2Q24F. Apart from soft consumption, the lack of E-Receipt stimulus, unlike in 1Q24, was also a reason. Since the higher-margin fashion segment performed the best (driven by Italy) for 2QTD SSS (we expect 2% for fashion, -2% for food, -7% for hardline) and no margin pressure from lower-margin big-ticket purchases like during the E-Receipt campaign, we expect 2Q24F gross margin to improve q-q and foresee a narrower fall y-y vs. a 25bp drop y-y in 1Q24.

Medium-term growth strategy

CRC has targeted medium-term sales growth of 35% from SSS (3% SSSG) and 65% from new stores. The firm told investors the fastest store expansion formats are Thai Watsadu home DIY, where traditional trade commands 65% of the total market; GO Wholesale since the market leader CPAXT's Makro wholesale has only a 9% share of the Bt2.6tr food wholesale market; and GO! Hypermarket and mini go! Supermarket in Vietnam, with a 12% modern trade share of Vietnam's food market. Despite weak consumption in Thailand and a slower-than-expected recovery of its Vietnam business this year, we see store expansion driving 2024F sales growth of 11% before rising to 13% p.a. in 2025-26F.

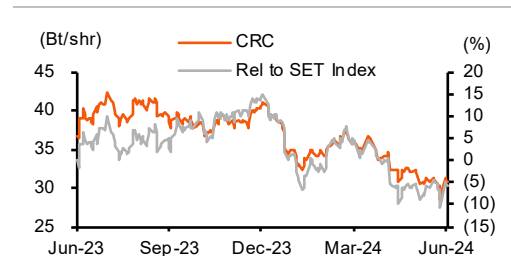
TP cut by 4%; still a BUY

Factoring in lower SSSG assumptions, the permanent closure of Robinson Srinakarin department store from mid-August, and the divestment of a 25% stake in Luxury Goods Ltd (Gucci Thailand) in March, we cut our earnings by 4-5% in 2024-26F with a lower DCF-based TP of Bt43. We reaffirm our BUY on CRC for record core profit this year while its PE multiples fall to 21.2/19.0x in 2024-25F vs. 37.5x in 2021-23 (listed in February 2020).

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	231,438	257,469	289,695	327,336
Net profit	8,016	8,753	9,743	11,210
Consensus NP	—	9,018	10,486	11,831
Diff frm cons (%)	—	(2.9)	(7.1)	(5.2)
Norm profit	8,168	8,753	9,743	11,210
Prev. Norm profit	—	9,162	10,250	11,747
Chg frm prev (%)	—	(4.5)	(4.9)	(4.6)
Norm EPS (Bt)	1.4	1.5	1.6	1.9
Norm EPS grw (%)	17.9	7.2	11.3	15.1
Norm PE (x)	22.7	21.2	19.0	16.5
EV/EBITDA (x)	8.1	7.8	7.4	6.9
P/BV (x)	2.8	2.6	2.4	2.2
Div yield (%)	1.8	1.9	2.1	2.4
ROE (%)	12.6	12.1	12.9	13.7
Net D/E (%)	98.6	97.7	90.0	80.7

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 27-Jun-24 (Bt)	30.75
Market Cap (US\$ m)	5,030.5
Listed Shares (m shares)	6,031.0
Free Float (%)	57.8
Avg Daily Turnover (US\$ m)	10.7
12M Price H/L (Bt)	42.25/28.50
Sector	Commerce
Major Shareholder	Harg Central Department Store Co.,Ltd. 35.06%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P8

Questions & answers

1) What is the current consumption and political situation in Thailand?

- Thailand suffers from political instability, and the recent politically-related court cases may push the country into a new cycle of political strife. However, CRC does not believe the current political issues will end up with actual conflict. As for the impact of the economic slowdown, people are becoming more cautious about spending. CRC shared 2QTD numbers with SSS turning slightly negative (we expect no more than negative 2%) from positive SSS of 1% in 1Q24 (E-Receipts contributed 1-2% of 1Q24 SSS), implying softer spending momentum q-q but still holding up well. Home improvement and electronics appliances continue to experience a slowdown. However, it still expects healthy spending by middle- to high-income customers in the luxury segment. Its flagship department store, Central Chidlom, is undergoing a major refurbishment into a world-class luxury destination, and it just opened a Louis Vuitton store with strong sales. The store's whole new look is scheduled to be completed by 4Q24.

Ex 1: 2QTD SSS

(%)	1Q23	2Q23	3Q23	4Q23	1Q24	2QTD (Apr-May)
SSS - total CRC	13	4	0	(2)	1	(2)
<u>By segment</u>						
Fashion	31	14	6	3	2	2
Hardline	0	(2)	(6)	(8)	(5)	(7)
Food	8	(2)	(3)	(5)	4	(2)
<u>By country</u>						
TH	16	5	3	(1)	0	(3)
Fashion	29	8	4	0	0	(3)
Hardline	6	2	0	(3)	(3)	(6)
Food	11	4	3	0	2	(0)
VN	(1)	(11)	(15)	(16)	2	(5)
Hardline	(28)	(23)	(37)	(34)	(20)	(13)
Food	6	(8)	(9)	(11)	5	(3)
Italy	37	26	10	9	9	8

Sources: Company data, Thanachart estimates

2) What is CRC's strategy amid the high household debt of Thais?

- CRC said its five-year plan is geared towards capturing market share from traditional trade through branch expansion and store renovation. It also expects wage hikes to have more of a positive impact than a negative one, as they will increase spending power while most of its staff are paid above the minimum wage.

3) Which formats are expected to have the fastest branch expansion?

- CRC said the fastest store expansion formats are Thai Watsadu home DIY, where traditional trade commands 65% of the total market; GO Wholesale since the market leader CPAXT's Makro wholesale has only a 9% share of the Bt2.6tr food wholesale market; and GO! Hypermarket and mini go! Supermarket in Vietnam, with a 12% modern trade share of Vietnam's food market. Its five-year expansion plan is for eight to 10 new Thai Watsadu stores per year, seven to eight new GO Wholesale branches per year to reach 40-45 stores by 2028 (after being first introduced in 4Q23), three GO! Hypermarkets, and six to eight mini go! Supermarkets in Vietnam per year.

Ex 2: Net Store Openings

	2020	2021	2022	2023	2024F	2025F	2026F
<u>Fashion</u>							
- Department Store (Central, Robinson)	1	2	3	2	1	2	2
- Rinascente (Italy)	0	0	0	0	0	0	0
<u>Hardline</u>							
- Thai Watsadu + BnB Home (Thailand)	4	5	5	14	8	10	10
- Nguyen Kim (Vietnam)	(11)	(8)	0	2	0	0	0
<u>Food</u>							
<u>Food business in Thailand</u>							
- Supermarket (Tops Market, Central Food Hall)	5	9	12	8	8	8	8
- GO Wholesale	0	0	0	4	7	8	8
<u>Food business in Vietnam</u>							
- GO! Hypermarket	4	(4)	1	0	3	3	3
- Tops market, go!, Lanchi	0	7	6	7	8	8	8

Sources: Company data, Thanachart estimates

Ex 3: Stores (YE)

	2020	2021	2022	2023	2024F	2025F	2026F
<u>Fashion</u>							
- Department Store (Central, Robinson)	69	71	74	76	77	79	81
- Rinascente (Italy)	9	9	9	9	9	9	9
<u>Hardline</u>							
- Thai Watsadu + BnB Home (Thailand)	57	62	67	81	89	99	109
- Nguyen Kim (Vietnam)	59	51	51	53	53	53	53
<u>Food</u>							
<u>Food business in Thailand</u>							
- Supermarket (Tops Market, Central Food Hall)	139	148	160	168	176	184	192
- GO Wholesale	0	0	0	4	11	19	27
<u>Food business in Vietnam</u>							
- GO! Hypermarket	41	37	38	38	41	44	47
- Tops market, go!, Lanchi	22	29	35	42	50	58	66

Sources: Company data, Thanachart estimates

4) Why is CRC rolling out new stores upcountry, given that strong spending is in metropolitan areas?

- At present, the sales breakdown from Thailand businesses is 50% from Bangkok & Greater Bangkok and 50% from the provinces. CRC said store rollouts depend on each business. For department stores, it doesn't plan to expand much, say one to two new department stores per year, but instead focus on store renovation and upgrading. So far this year, two have been opened upcountry in Nakorn Sawan and Nakorn Pathom provinces. For Thai Watsadu, the top-performing stores are the Greater Bangkok branches, but the company sees room to open more provincial branches. The new business, GO Wholesale, is concentrating on branch openings in Greater Bangkok and major tourist provinces.

5) How are the businesses in Vietnam doing?

- CRC said the global slowdown and the political instability in Vietnam caused by the corruption crackdown will likely continue to slow the country's economic growth. Vietnam contributed 21% of CRC's sales in 2023, down 8% y-y. Of the Bt47bn in Vietnam sales, 84% was from the food business (hypermarkets, supermarkets) and 16% from the hardline business (Nguyen Kim electronics stores). Growing exports and retail sales in 1Q24 drove 5% sales growth in Vietnam after four straight quarters of decline, boosted by the food business. However, CRC's 2QTD SSS in Vietnam lost positive momentum from 2% SSSG in 1Q24 to an estimated negative 5% in 2QTD, dragged down by the food business, where 2QTD SSS again turned negative.
- CRC said hypermarkets have lost fresh food sales to small-format stores and wet markets. It plans to speed up the expansion of mini go! Supermarkets to six to eight new branches a year, from a total of 10 branches as of 1Q24.
- Nguyen Kim is currently making losses. CRC said it has no plans to open new stores but will close some stores to reduce losses and eventually make a profit. In 1Q24, there were 51 branches. It intends to close five to six branches this year.

Ex 4: Key Assumption Changes

	2020	2021	2022	2023	2024F	2025F	2026F
Total sales of goods (Bt m)							
New	173,138	175,975	211,903	221,926	247,386	278,678	315,163
Old					252,906	285,274	322,865
Change (%)					(2.2)	(2.3)	(2.4)
Sales growth (%)							
New	(11.4)	1.6	20.4	4.7	11.5	12.6	13.1
Old					14.0	12.8	13.2
SSSG (%) - New	(20.8)	(5.0)	20.0	3.0	0.5	3.2	3.2
Fashion segment	(33.7)	(6.0)	38.0	12.0	2.0	2.0	1.7
Hardline segment	(14.3)	3.0	5.0	(4.0)	(3.3)	2.3	2.3
Food segment	(9.9)	(12.0)	15.0	(0.2)	2.5	4.5	4.5
SSSG (%) - Old					2.9	3.4	3.4
Fashion segment					3.3	2.0	1.7
Hardline segment					2.5	2.3	2.3
Food segment					3.0	5.0	5.0
Equity income (Bt m)							
New	132	279	820	990	1,000	1,070	1,145
Old					1,059	1,133	1,213
Change (%)					(5.6)	(5.6)	(5.6)
Normalized profit (Bt m)							
New	46	59	6,930	8,168	8,753	9,743	11,210
Old					9,162	10,250	11,747
Change (%)					(4.5)	(4.9)	(4.6)

Sources: Company data, Thanachart estimates

Ex 5: 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	2035F	Terminal Value
EBITDA		33,273	35,178	37,382	40,181	42,703	44,972	47,145	49,895	52,413	54,971	57,950	61,125	
Free cash flow		1,772	7,895	9,634	17,072	21,347	27,643	29,664	32,976	35,015	37,129	39,631	42,287	560,241
PV of free cash flow		1,772	6,610	7,381	11,969	13,691	16,223	15,929	15,721	15,213	14,705	14,308	13,917	184,386
Risk-free rate (%)	2.5													
Market risk premium (%)	8.0													
Beta	1.1													
WACC (%)	8.9													
Terminal growth (%)	2.0													
Enterprise value - add investments	331,825													
Net debt	69,310													
Minority interest	3,201													
Equity value	259,314													
# of shares (m)	6,031													
Equity value/share (Bt)	43													

Source: Company, Thanachart estimates

Valuation Comparison

Ex 6: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div. yield —	
			24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
Marks & Spencer	MKS LN	Britain	39.9	(1.3)	11.6	11.8	1.7	0.9	6.0	4.9	1.5	5.2
J Sainsbury PLC	SBRY LN	Britain	(3.2)	4.7	11.0	10.5	0.7	0.8	4.9	4.9	5.5	5.8
Tesco	TSCO LN	Britain	12.7	6.7	11.7	11.0	1.6	1.7	6.8	6.7	4.1	4.6
Carrefour SA	CA FP	France	19.2	16.1	7.0	6.0	0.8	0.7	4.6	4.3	6.5	7.0
Casino Guichard	CO FP	France	na	83.6	na	na	0.0	0.0	7.6	7.5	0.0	0.0
L'Oreal SA	OR FP	France	7.2	8.7	33.7	31.0	7.4	6.7	22.8	21.0	1.6	1.7
Alimentation Couche	ATD/B CN	Canada	(2.0)	8.5	na	na	na	na	11.9	10.8	na	na
Aeon	8267 JP	Japan	39.9	25.4	77.3	61.6	3.0	2.8	10.2	9.9	1.1	1.1
Kao Corporation	4452 JP	Japan	127.7	15.7	29.6	25.6	3.1	2.9	14.0	12.9	2.3	2.3
Lion Corporation	4912 JP	Japan	6.8	0.0	19.2	19.2	1.2	1.2	7.6	7.2	2.1	2.2
Shiseido Co. Ltd	4911 JP	Japan	43.0	154.2	75.4	29.7	3.0	2.9	17.6	13.6	1.2	1.3
Lawson	2651 JP	Japan	112.2	6.0	20.8	19.7	3.6	3.2	6.4	6.0	2.2	2.5
Seven & I Holdings	3382 JP	Japan	(15.7)	24.6	21.5	17.3	1.4	1.3	7.6	7.3	1.9	2.1
Lotte Corp	004990 KS	South Korea	na	67.5	13.0	7.8	0.4	0.4	8.6	8.4	7.2	8.0
Shinsegae	004170 KS	South Korea	9.2	15.2	4.8	4.1	0.3	0.3	6.2	5.9	2.7	2.9
Amore Pacific Group	002790 KS	South Korea	42.9	37.4	17.6	12.8	0.9	0.8	6.1	4.7	1.0	1.3
Best Buy Co Inc	BBY US	USA	(0.9)	10.4	13.8	12.5	5.4	5.4	7.0	6.5	4.5	4.7
Wal-Mart Stores	WMT US	USA	12.3	10.0	28.1	25.5	6.0	5.6	14.2	13.2	1.2	1.3
Home Depot Inc	HD US	USA	2.1	6.2	22.2	20.9	na	na	15.1	14.5	2.6	2.8
Levi Strauss & Co.	LEVI US	USA	14.5	15.4	18.5	16.1	4.2	3.6	11.6	10.5	2.2	2.4
Yonghui Superstores	601933 CH	China	123.7	200.0	na	45.9	3.6	2.9	14.5	14.1	0.2	1.0
Sa International	178 HK	Hong Kong	na	6.9	9.4	8.8	2.2	1.9	6.3	6.9	5.9	7.4
Dairy Farm Intl Hldgs	DFI SP	Hong Kong	35.4	24.2	12.3	9.9	2.4	2.0	6.8	6.7	5.1	6.1
President Chain Store	2912 TT	Taiwan	5.5	10.2	24.4	22.1	6.9	6.0	9.2	8.7	3.6	3.8
7-Eleven Malaysia	SEM MK	Malaysia	(3.0)	18.8	30.8	25.9	5.4	4.9	8.5	7.9	1.6	1.8
Berli Jucker *	BJC TB	Thailand	8.0	7.0	16.8	15.7	0.7	0.7	10.4	10.0	4.2	4.5
COM7 *	COM7 TB	Thailand	4.3	22.3	13.5	11.1	4.5	3.8	9.5	8.0	4.3	5.3
CP All *	CPALL TB	Thailand	33.3	17.5	21.4	18.2	4.0	3.6	8.8	8.0	2.3	2.8
CP Aextra *	CPAXT TB *	Thailand	24.7	18.0	26.8	22.7	0.9	0.9	11.1	10.2	2.6	3.1
Central Pattana *	CPN TB	Thailand	8.0	10.3	16.7	15.2	2.5	2.3	12.0	11.1	3.3	3.5
Central Retail Corp. *	CRC TB	Thailand	7.2	11.3	21.2	19.0	2.6	2.4	7.8	7.4	1.9	2.1
Dohome *	DOHOME TB	Thailand	47.8	41.0	42.3	30.0	2.5	2.3	22.7	19.5	0.1	0.1
Siam Global House *	GLOBAL TB	Thailand	11.2	16.0	26.3	22.7	3.1	2.8	20.5	18.1	1.3	1.5
Home Product*	HMPRO TB	Thailand	10.9	10.0	16.8	15.3	4.6	4.3	9.8	9.1	4.8	5.2
MC Group *	MC TB	Thailand	13.5	18.4	11.8	10.0	2.3	2.2	5.9	5.3	8.2	9.8
Moshi Moshi Retail*	MOSHI TB *	Thailand	24.5	42.7	30.5	21.4	6.8	5.7	15.4	11.7	1.6	2.3
Average			24.9	27.5	23.0	19.3	2.9	2.6	10.4	9.5	2.9	3.4

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates using normalized EPS growth,

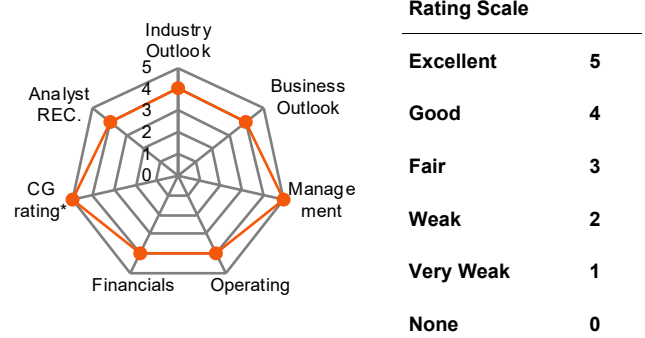
Based on 27 June 2024 closing price

COMPANY DESCRIPTION

Central Retail Corporation Pcl (CRC) is Thailand's leading retailer under Central Group's Chirathivat family. It operates multi-retail businesses (fashion, hardline, food) in eight retail formats (department stores, specialty stores, brand shops, supermarkets, hypermarkets, convenience stores, retail plazas, and sales counters) in three countries (Thailand, Vietnam, and Italy). As of end-2023, it operated a net selling area of 3.6m sqm and a net leasable area of 0.74m sqm.

Source: Thanachart

COMPANY RATING



Source: Thanachart; * No CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Retail market leader in Thailand with multiple retail formats.
- Accelerating omni-channel platform in response to new consumption trends.
- Strong market position in each retail segment.

O — Opportunity

- Room to open more Thai Watsadu stores in the growing home-improvement sector.
- Strong growth opportunities in Vietnam from higher population, strong economic growth and low modern-trade penetration.
- More M&As.

W — Weakness

- Low returns on some businesses with model adjustments needed.
- Highly capital-intensive business and high operating expenses.

T — Threat

- Competition from new entrants.
- Weak Thai economy.
- Pandemic.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	42.98	43.00	0%
Net profit 24F (Bt m)	9,018	8,753	-3%
Net profit 25F (Bt m)	10,486	9,743	-7%
Consensus REC	BUY: 20	HOLD: 3	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F net profits are 3-7% below the Bloomberg consensus numbers.
- Our DCF-based TP is, however, in line with the Street's.

RISKS TO OUR INVESTMENT CASE

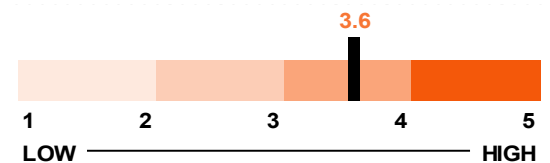
- There would be downside risk to our earnings forecasts if CRC fails to open new stores in line with our current expectations.
- Earnings growth could be hindered if competitors open stores more aggressively than we presently expect.
- An economic slowdown would be a secondary downside risk to our call.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

CRC is a multi-category retailer with various retail store formats in the fashion, food, and hardline segments in Thailand, Vietnam, and Italy. It operates a total space of 4.0m sqm. Our ESG score for CRC is relatively high at 3.6, as its business doesn't create much greenhouse gas, and the company has clear targets and plans for ESG issues.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	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)
CRC	YES	AAA	YES	BBB	-	58.52	77.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, 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 "term of use" in the following back page.

Factors

Our Comments

ENVIRONMENT

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

- Despite its business nature of not generating much greenhouse gas (GHG), CRC still sets ESG goals. By 2030, it targets to achieve the use of 100% friendly packaging, reduce food losses and waste by 30% (from 4,567 tonnes of food waste in 2023), and cut GHG emissions by 30% from 0.47m tonnes of CO2 equivalent in 2023 (baseline year).
- Since 2018, it has complied with its "Central Retail Love the Earth" campaign that focuses on waste reduction (Journey to Zero), an increase in green areas (Central Green), and forest restoration.
- Packaging management: to phase out single-use plastic packaging "Say No to Plastic Bags", increase the use of reusable packaging "Bring Your Own Bag", increase the use of recycled-material and recyclable packaging through the "Bag for Life".

SOCIAL

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

- In 2023, the average employee training and development time was 18.1 hours/person/year with an average cost of Bt3,602/person.
- It provides an option for employees to work from home one day a week to save time and commuting expenses.
- Low-interest loans and educational loans for employees, spouses, and children.
- CRC selects safe and high-quality products by conducting inspections for the whole supply chain in compliance with the Food Safety System Certification (FSSC 22000).

GOVERNANCE &
SUSTAINABILITY

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

- The board of directors (BOD) comprises 15 members, five of whom are independent directors. Three directors are women, and eight directors are from the Chirathivat family.
- Confirmed breaches of business ethics fell from 77 cases in 2019 to 62 in 2020, 49 in 2021, and 28 in 2022. Most involved internal regulatory non-compliance.
- CRC has established risk-management guidelines according to international standards.
- CRC aims to effectively promote a risk-aware culture within the organization. This starts with raising risk awareness among employees at all levels through risk management training, including workplace safety and personal data privacy issues.
- CRC has an information system that enhances risk-management efficiency. The system helps support risk information, performance data, and risk management reporting and communicates risk-management results to stakeholders.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	219,898	231,438	257,469	289,695	327,336
Cost of sales	159,647	164,941	184,635	209,478	238,689
Gross profit	60,251	66,497	72,833	80,217	88,647
% gross margin	27.4%	28.7%	28.3%	27.7%	27.1%
Selling & administration expenses	64,540	69,834	75,772	83,689	92,089
Operating profit	11,539	13,615	15,089	16,168	18,009
% operating margin	5.2%	5.9%	5.9%	5.6%	5.5%
Depreciation & amortization	17,171	17,722	18,184	19,010	19,373
EBITDA	28,709	31,337	33,273	35,178	37,382
% EBITDA margin	13.1%	13.5%	12.9%	12.1%	11.4%
Non-operating income	16,041	17,250	18,202	19,832	21,653
Non-operating expenses	0	0	0	0	0
Interest expense	(3,479)	(4,642)	(4,867)	(4,724)	(4,731)
Pre-tax profit	8,273	9,271	10,396	11,635	13,479
Income tax	1,733	1,587	2,079	2,327	2,696
After-tax profit	6,540	7,685	8,317	9,308	10,783
% net margin	3.0%	3.3%	3.2%	3.2%	3.3%
Shares in affiliates' Earnings	820	990	1,000	1,070	1,145
Minority interests	(430)	(506)	(564)	(636)	(719)
Extraordinary items	245	(152)	0	0	0
NET PROFIT	7,175	8,016	8,753	9,743	11,210
Normalized profit	6,930	8,168	8,753	9,743	11,210
EPS (Bt)	1.2	1.3	1.5	1.6	1.9
Normalized EPS (Bt)	1.1	1.4	1.5	1.6	1.9

Strong EBITDA growth after COVID

We expect record profits to continue

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	76,532	79,956	87,682	97,776	109,237
Cash & cash equivalent	15,617	14,814	17,025	18,048	18,884
Account receivables	5,421	5,545	5,957	6,464	7,035
Inventories	43,675	46,413	50,079	56,817	64,740
Others	11,819	13,185	14,621	16,446	18,578
Investments & loans	6,318	6,314	6,314	6,314	6,314
Net fixed assets	49,045	57,497	68,413	73,403	78,030
Other assets	144,090	143,330	147,731	148,794	149,156
Total assets	275,984	287,097	310,140	326,287	342,737
LIABILITIES:					
Current liabilities:	108,488	118,505	122,696	131,388	139,582
Account payables	39,828	41,831	45,526	51,652	58,855
Bank overdraft & ST loans	34,954	30,917	36,569	37,033	36,787
Current LT debt	6,561	16,932	10,971	11,110	11,036
Others current liabilities	27,145	28,825	29,630	31,593	32,905
Total LT debt	39,780	36,275	43,883	44,439	44,144
Others LT liabilities	62,831	62,056	67,393	67,611	68,425
Total liabilities	211,099	216,837	233,972	243,439	252,151
Minority interest	2,762	3,201	3,765	4,401	5,120
Preferreds shares	0	0	0	0	0
Paid-up capital	6,031	6,031	6,031	6,031	6,031
Share premium	66,761	66,761	66,761	66,761	66,761
Warrants	0	0	0	0	0
Surplus	(24,459)	(24,670)	(24,670)	(24,670)	(24,670)
Retained earnings	13,790	18,937	24,281	30,325	37,344
Shareholders' equity	62,123	67,060	72,403	78,447	85,466
Liabilities & equity	275,984	287,097	310,140	326,287	342,737

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	8,273	9,271	10,396	11,635	13,479
Tax paid	(1,458)	(1,449)	(2,038)	(2,183)	(2,578)
Depreciation & amortization	17,171	17,722	18,184	19,010	19,373
Chg In working capital	(3,524)	(858)	(384)	(1,120)	(1,291)
Chg In other CA & CL / minorities	(233)	943	140	816	(43)
Cash flow from operations	20,229	25,629	26,298	28,158	28,941
Capex	(22,856)	(26,174)	(29,100)	(24,000)	(24,000)
Right of use	2,059	1,555	78	4	4
ST loans & investments	98	(34)	38	0	0
LT loans & investments	(759)	4	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(2,256)	(1,532)	1,008	(599)	696
Cash flow from investments	(23,714)	(26,182)	(27,976)	(24,595)	(23,300)
Debt financing	2,455	2,829	7,298	1,159	(615)
Capital increase	(123)	0	0	0	0
Dividends paid	(1,809)	(2,895)	(3,409)	(3,699)	(4,191)
Warrants & other surplus	492	(185)	0	0	0
Cash flow from financing	1,014	(250)	3,889	(2,540)	(4,805)
Free cash flow	(2,628)	(545)	(2,802)	4,158	4,941

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	26.8	22.7	21.2	19.0	16.5
Normalized PE - at target price (x)	37.4	31.7	29.6	26.6	23.1
PE (x)	25.8	23.1	21.2	19.0	16.5
PE - at target price (x)	36.1	32.4	29.6	26.6	23.1
EV/EBITDA (x)	8.7	8.1	7.8	7.4	6.9
EV/EBITDA - at target price (x)	11.3	10.5	10.0	9.5	8.9
P/BV (x)	3.0	2.8	2.6	2.4	2.2
P/BV - at target price (x)	4.2	3.9	3.6	3.3	3.0
P/CFO (x)	9.2	7.2	7.1	6.6	6.4
Price/sales (x)	0.8	0.8	0.7	0.6	0.6
Dividend yield (%)	1.6	1.8	1.9	2.1	2.4
FCF Yield (%)	(1.4)	(0.3)	(1.5)	2.2	2.7
(Bt)					
Normalized EPS	1.1	1.4	1.5	1.6	1.9
EPS	1.2	1.3	1.5	1.6	1.9
DPS	0.5	0.6	0.6	0.6	0.7
BV/share	10.3	11.1	12.0	13.0	14.2
CFO/share	3.4	4.2	4.4	4.7	4.8
FCF/share	(0.4)	(0.1)	(0.5)	0.7	0.8

Sources: Company data, Thanachart estimates

*Trading at a much lower PE
than the average of 37.5x in
2021-23*

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	21.0	5.2	11.2	12.5	13.0
Net profit (%)	11,985.2	11.7	9.2	11.3	15.1
EPS (%)	11,985.2	11.7	9.2	11.3	15.1
Normalized profit (%)	11,572.9	17.9	7.2	11.3	15.1
Normalized EPS (%)	11,572.9	17.9	7.2	11.3	15.1
Dividend payout ratio (%)	40.3	41.4	40.0	40.0	40.0
Operating performance					
Gross margin (%)	27.4	28.7	28.3	27.7	27.1
Operating margin (%)	5.2	5.9	5.9	5.6	5.5
EBITDA margin (%)	13.1	13.5	12.9	12.1	11.4
Net margin (%)	3.0	3.3	3.2	3.2	3.3
D/E (incl. minor) (x)	1.3	1.2	1.2	1.1	1.0
Net D/E (incl. minor) (x)	1.0	1.0	1.0	0.9	0.8
Interest coverage - EBIT (x)	3.3	2.9	3.1	3.4	3.8
Interest coverage - EBITDA (x)	8.3	6.8	6.8	7.4	7.9
ROA - using norm profit (%)	2.6	2.9	2.8	3.1	3.4
ROE - using norm profit (%)	11.7	12.6	12.1	12.9	13.7
DuPont					
ROE - using after tax profit (%)	11.0	11.9	11.5	12.3	13.2
- asset turnover (x)	0.8	0.8	0.8	0.9	1.0
- operating margin (%)	5.3	6.0	5.9	5.6	5.6
- leverage (x)	4.5	4.4	4.3	4.2	4.1
- interest burden (%)	70.4	66.6	68.1	71.1	74.0
- tax burden (%)	79.1	82.9	80.0	80.0	80.0
WACC (%)	8.9	8.9	8.9	9.3	9.3
ROIC (%)	7.8	8.8	8.9	8.8	9.4
NOPAT (Bt m)	9,122	11,285	12,071	12,934	14,407
invested capital (Bt m)	127,801	136,370	146,801	152,981	158,550

Sources: Company data, Thanachart estimates

ROE looks to be on the way up

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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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70-79	★★★	Good
60-69	★★	Satisfactory
50-59	★	Pass
Below		N/A

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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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