

BUY (Unchanged)

TP: Bt 37.00

(From: Bt 39.00)

Change in Numbers

Upside : 23.3%

4 OCTOBER 2024

# MEB Corporation Pcl (MEB TB)

## Unjustified share price fall

Despite a 20% share price fall from its peak this year, MEB has continued to enjoy e-book market share gains vs. physical books, driving record-high earnings with a 12% three-year earnings CAGR in 2024-26F. Also, with 18/17x PEs in 2025-26F vs. its 24x historical average, 30%+ ROE, and a net cash position, we rate MEB as a BUY.



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### Reaffirming our BUY call

We fine-tune our earnings for MEB in 2024-26F and roll over the base year in our model to 2025F. However, as we raise our discount rate by 0.8ppts to 9.6-10.6% to reflect its higher beta, our DCF-based 12-month TP falls slightly to Bt37/share from Bt39. We reiterate our BUY call as **1)** we see the 20% fall in its share price from its peak this year against its record-high earnings with a 21% y-y growth in 1H24 as unjustified, **2)** with the continued trend of e-book market share gains from physical books, we estimate its earnings CAGR at 12% in 2024-26F, **3)** we like its asset-light model that generates high profitability, and **4)** its financial status also looks solid with a net cash position.

### 12% earnings CAGR in 2024-26F

The increasing penetration of e-books caused MEB's monthly active users (MAU) to rise by 7% y-y in 1H24 and spending per MAU by 6% y-y. With continued growth in MAU and spending, MEB's management targets mid-teens revenue growth this year (vs. 15% y-y growth in 1H24). We project its revenue growth at 15/9/8% in 2023-25F, driven by MAU growth of 8/7/7% y-y in 2023-25F and spending per MAU growth of 5/2/1% y-y. Given that 96% of its total costs come from remuneration to writers and publishers, we estimate its gross margin to be sustained at 31% in 2024-26F, driving its earnings growth of 17/10/9% in 2024-26F.

### Asset-light model with high profitability

Given the characteristics of the e-book business, with over 95% of its costs coming from remuneration to writers and publishers, MEB has a very low inventory of Bt5m-10m, small maintenance capex of Bt5m-10m a year for its platforms and applications, and accounts receivable turnover of 10-14 days. But its profitability is high, with a 24-25% EBITDA margin and a 31-35% ROE. Its balance sheet looks very solid, and it is in a net cash position with Bt1.4bn of cash and cash equivalents as of the end of 2Q24. We estimate MEB to generate EBITDA of Bt539m-649m a year in 2024-26F (vs. Bt260m in 1H24 and Bt472m in 2023).

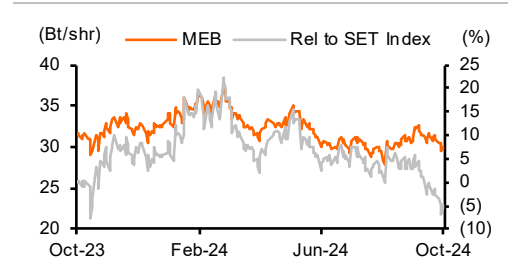
### New platform is growing but still very small

MEB's new English platform to sell e-books globally, called Lunarwrite, was launched in late December 2023. Sales from this platform have continued to grow, but the sales proportion is still less than 1% of MEB's total revenue. We don't expect it to generate significant revenue soon, as gaining recognition and membership will likely take time. Still, we like the expansion as follows: 1) it should help MEB expand into larger e-book markets, and 2) we expect low capex and operating costs as most costs would come from remuneration to writers.

### COMPANY VALUATION

| Y/E Dec (Bt m)    | 2023A   | 2024F   | 2025F   | 2026F   |
|-------------------|---------|---------|---------|---------|
| Sales             | 1,916   | 2,200   | 2,406   | 2,609   |
| Net profit        | 386     | 450     | 494     | 537     |
| Consensus NP      | —       | 451     | 505     | 567     |
| Diff frm cons (%) | —       | (0.2)   | (2.2)   | (5.2)   |
| Norm profit       | 386     | 450     | 494     | 537     |
| Prev. Norm profit | —       | 432     | 480     | 525     |
| Chg frm prev (%)  | —       | 4.1     | 2.8     | 2.3     |
| Norm EPS (Bt)     | 1.3     | 1.5     | 1.6     | 1.8     |
| Norm EPS grw (%)  | 16.9    | 16.5    | 9.7     | 8.8     |
| Norm PE (x)       | 23.3    | 20.0    | 18.2    | 16.7    |
| EV/EBITDA (x)     | 16.4    | 14.1    | 12.2    | 10.8    |
| P/BV (x)          | 7.6     | 6.3     | 5.4     | 4.8     |
| Div yield (%)     | 2.2     | 2.5     | 3.3     | 4.2     |
| ROE (%)           | 56.6    | 34.6    | 32.1    | 30.6    |
| Net D/E (%)       | (113.6) | (109.4) | (110.1) | (109.4) |

### PRICE PERFORMANCE



### COMPANY INFORMATION

|                             |                     |
|-----------------------------|---------------------|
| Price as of 4-Oct-24 (Bt)   | 30.00               |
| Market Cap (US\$ m)         | 272.4               |
| Listed Shares (m shares)    | 300.0               |
| Free Float (%)              | 29.8                |
| Avg Daily Turnover (US\$ m) | 0.3                 |
| 12M Price H/L (Bt)          | 37.50/27.75         |
| Sector                      | mai                 |
| Major Shareholder           | B2S Co. Ltd. 51.26% |

Sources: Bloomberg, Company data, Thanachart estimates



## Unjustified share price fall; reaffirming BUY

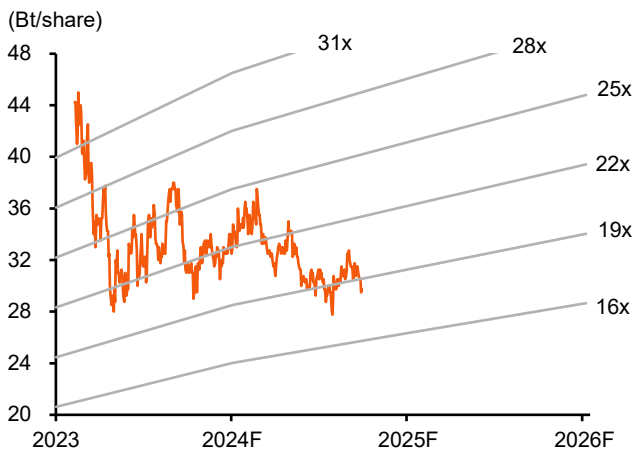
*With a rise in its discount rate, our TP falls to Bt37, and we reaffirm our BUY...*

*...given its attractive valuation...*

We fine-tune our earnings estimates for MEB Corporation Pcl (MEB) in 2024-26F and roll over the base year in our model to 2025F. However, as we raise our discount rate by 0.8ppts to 9.6-10.6% to reflect its higher beta, our DCF-based 12-month TP falls slightly to Bt37/share from Bt39. We reiterate our BUY call on MEB as:

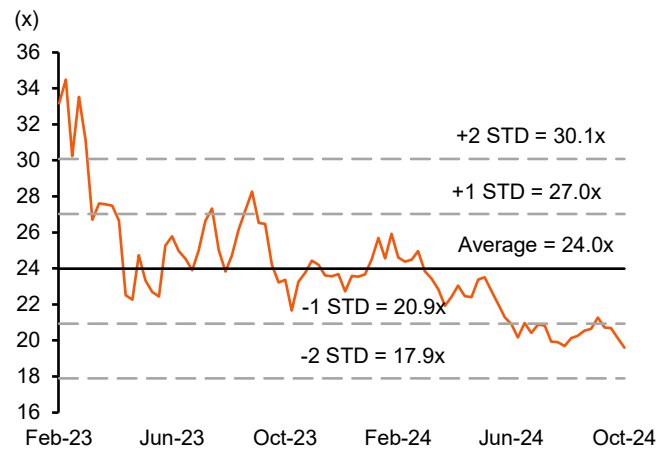
**First**, we see the 20% fall in its share price from its peak this year against its record-high earnings growth of 21% y-y in 1H24 as unjustified. In our view, its valuation looks attractive at PE multiples of 18x next year and 17x in 2026F vs. its 24x historical average.

**Ex 1: MEB's PE Band Chart**



Sources: Bloomberg, Thanachart estimates

**Ex 2: MEB's PE Standard Deviation**

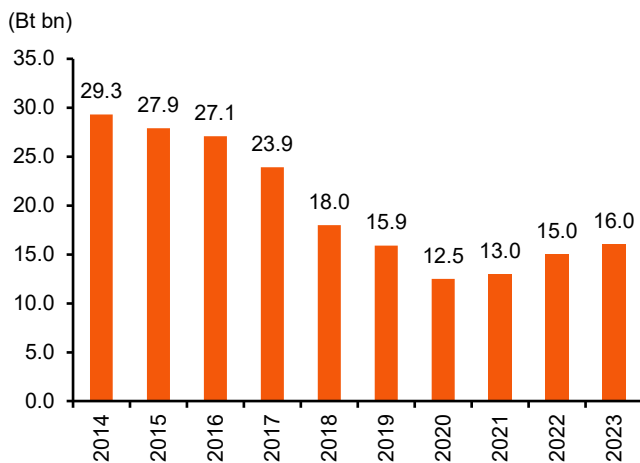


Sources: Bloomberg, Thanachart estimates

*...its earnings CAGR of 12% in 2024-26F...*

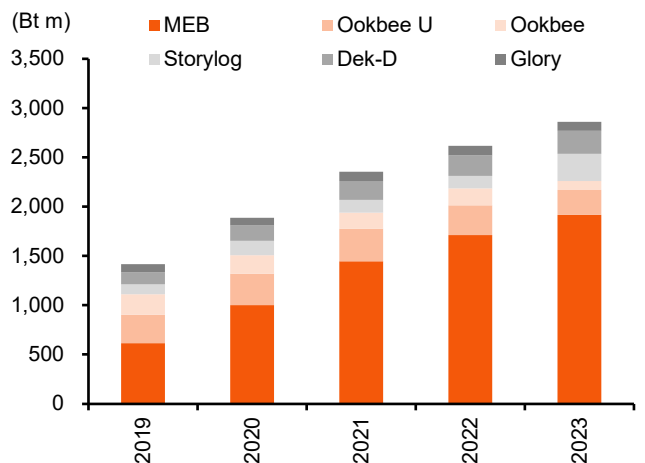
**Secondly**, we expect MEB to continue to enjoy the trend of e-book market share gains from physical books, allowing its monthly active users (MAU) to keep rising by 8/7/7% y-y in 2024-26F (vs. growth of 8% y-y in 1H24) and spending per MAU by 5/2/1% y-y (vs. growth of 6% y-y in 1H24), driving earnings growth of 17/10/9% y-y in 2024-26F.

**Ex 3: Physical Book Sales In Thailand**



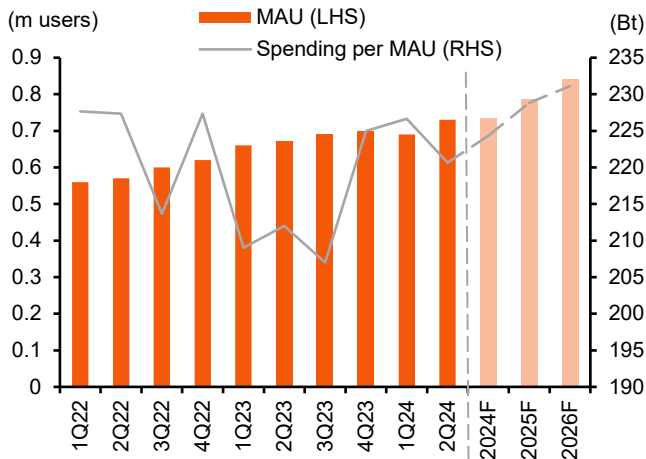
Sources: PUBAT, Thanachart estimates

**Ex 4: Revenue From Top Six E-book Firms In Thailand**



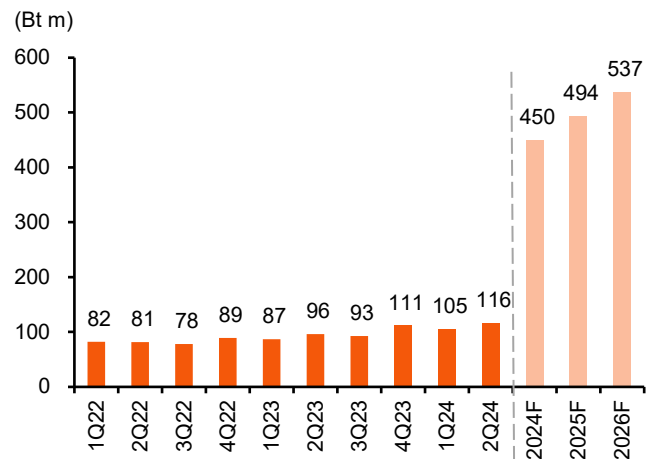
Sources: MEB, Ookbee U, Ookbee, Storylog, Dek-D, Glory Forever

**Ex 5: MEB's MAU And Spending Per MAU**



Sources: Company data, Thanachart estimates

**Ex 6: MEB's Earnings**



Sources: Company data, Thanachart estimates

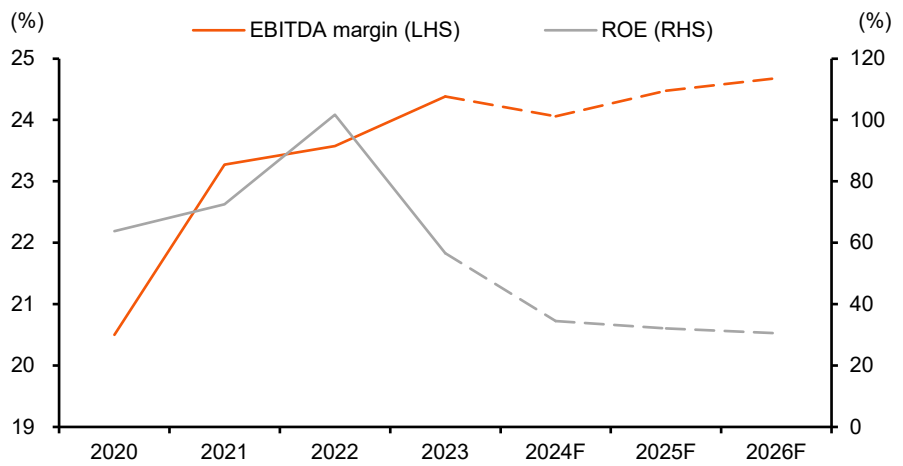
*...its asset-light model but high profitability...*

*...and its net cash position*

**Thirdly**, its fundamentals look solid. Its asset-light model has a very low inventory of Bt5m-10m, a small maintenance capex of Bt5m-10m a year for its platforms and applications, and a low accounts receivable turnover of 10-14 days. However, its profitability is high, with a 24-25% EBITDA margin and a 31-35% ROE.

**Finally**, MEB's financial status also looks strong, with a net cash position and Bt1.4bn of cash and cash equivalents as of the end of 2Q24.

**Ex 7: MEB's EBITDA Margin And ROE**



Sources: Company data, Thanachart estimates

**Ex 8: 12-month DCF-based TP Calculation Using A Base Year Of 2025F**

| (Bt m)                             | 2025F     | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F | 2033F | 2034F | 2035F | Terminal Value |
|------------------------------------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------|
| EBITDA                             | 589       | 644   | 701   | 765   | 834   | 909   | 993   | 1,084 | 1,186 | 1,298 | 1,420 | —              |
| Free cash flow                     | 482       | 526   | 572   | 624   | 679   | 740   | 808   | 882   | 965   | 1,056 | 1,154 | 13,770         |
| PV of free cash flow               | 481       | 434   | 429   | 425   | 421   | 417   | 413   | 395   | 391   | 387   | 383   | 4,567          |
| Risk-free rate (%)                 | 2.5       |       |       |       |       |       |       |       |       |       |       |                |
| Market risk premium (%)            | 8.0       |       |       |       |       |       |       |       |       |       |       |                |
| Beta                               | 0.9       |       |       |       |       |       |       |       |       |       |       |                |
| WACC (%)                           | 10.1      |       |       |       |       |       |       |       |       |       |       |                |
| Terminal growth (%)                | 2.0       |       |       |       |       |       |       |       |       |       |       |                |
| Enterprise value - add investments | 9,144     |       |       |       |       |       |       |       |       |       |       |                |
| Net debt (2024F)                   | (1,828)   |       |       |       |       |       |       |       |       |       |       |                |
| Minority interest                  | 5         |       |       |       |       |       |       |       |       |       |       |                |
| Equity value                       | 10,967    |       |       |       |       |       |       |       |       |       |       |                |
| # of shares (m)*                   | 300       |       |       |       |       |       |       |       |       |       |       |                |
| <b>Target price/share (Bt)</b>     | <b>37</b> |       |       |       |       |       |       |       |       |       |       |                |

Source: Thanachart estimates

## COMPANY DESCRIPTION

MEB Corporation Pcl (MEB) is Thailand's largest e-book distributor in terms of revenue via its meb and readAwrite platforms. It also offers an e-library service for organizations and sells electronic reading devices (e-readers). Its major shareholder is B2S, one of the largest bookstores in Thailand, owned by Central Retail Corporation (CRC).

Source: Thanachart

## THANACHART'S SWOT ANALYSIS

### S — Strength

- MEB is Thailand's largest e-book distributor in terms of revenue, with its e-book platforms having the highest traffic.
- E-books' life cycle is long.
- Support from its major shareholder, B2S, one of the largest bookstores, e.g., negotiations with writers and publishers.

### O — Opportunity

- Digital disruption and e-books' advantages have continued to push e-book penetration against the demand for physical books.
- E-book demand is growing in Thailand and globally, offering many opportunities to expand the business.

## CONSENSUS COMPARISON

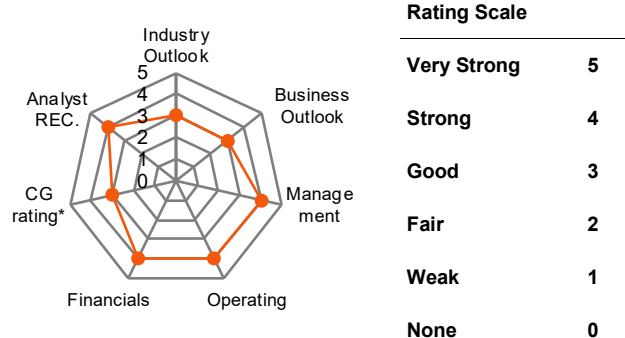
|                       | Consensus     | Thanachart     | Diff           |
|-----------------------|---------------|----------------|----------------|
| Target price (Bt)     | 38.83         | 37.00          | -5%            |
| Net profit 24F (Bt m) | 451           | 450            | 0%             |
| Net profit 25F (Bt m) | 505           | 494            | -2%            |
| <b>Consensus REC</b>  | <b>BUY: 4</b> | <b>HOLD: 0</b> | <b>SELL: 0</b> |

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings estimates for 2024-25F are in line with the Bloomberg consensus numbers.
- However, our TP is 5% lower than other brokers', which we attribute to our more conservative MAU and spending per MAU assumptions in long term.

Sources: Bloomberg consensus, Thanachart forecasts

## COMPANY RATING



Source: Thanachart; \*No CG Rating

### Rating Scale

|                    |          |
|--------------------|----------|
| <b>Very Strong</b> | <b>5</b> |
| <b>Strong</b>      | <b>4</b> |
| <b>Good</b>        | <b>3</b> |
| <b>Fair</b>        | <b>2</b> |
| <b>Weak</b>        | <b>1</b> |
| <b>None</b>        | <b>0</b> |

### W — Weakness

- E-book readers require internet access and reading devices.
- Over 90% of MEB's revenue comes from e-book sales.
- The MEB brand is well-known only in Thailand.

### T — Threat

- Low barriers to entry.
- Rapid technological changes and cyber-attacks.
- Popularity of other entertainment media.

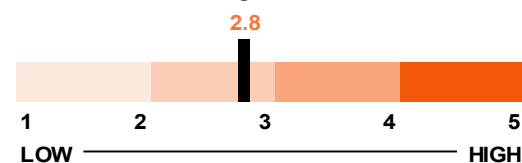
## RISKS TO OUR INVESTMENT CASE

- A price war with its competitors would represent a downside risk to our MAU and revenue per MAU growth assumptions.
- Other negative factors like the emergence of other new media, unsuccessful negotiations with writers and publishers to get new e-books on shelves, and application instability would also negatively impact our MAU growth assumptions.
- Successful expansion into other countries would positively impact our gross margin and net profit forecasts, and is the key positive catalyst to our call.

Source: Thanachart

MEB is the largest e-book distributor in terms of revenue in Thailand via its meb and readAwrite platforms. Our ESG score for MEB is moderate at 2.8, reflecting the nature of its business, which doesn't produce much greenhouse gas but still lacks 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) |
|------------|---------------|-------------------|------------|----------------|------------------|-------------------|--------------------|-----------------|-----------------|
| <b>MEB</b> | -             | -                 | -          | -              | -                | -                 | -                  | -               | <b>3.0</b>      |

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 "terms of use" in the following back page.

| Factors   | Our Comments   |
|---|--|
| <p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>- Environmental Policies &amp; Guidelines</li> <li>- Energy Management</li> <li>- Carbon Management</li> <li>- Water Management</li> <li>- Waste Management</li> </ul> | <ul style="list-style-type: none"> <li>▪ The e-book business is environmentally friendly as it is paperless and doesn't produce much greenhouse gas (GHG).</li> <li>▪ MEB itself has environmental policies to reduce pollution and preserve energy in its offices. It continuously checks its electronic devices and performs maintenance to keep them functioning correctly and to save energy.</li> <li>▪ It promotes waste sorting in its offices, causing more material to be recycled and reused, less waste going into landfills, and less pollution, thereby reducing environmental damage.</li> </ul> |
| <p><b>SOCIAL</b></p> <ul style="list-style-type: none"> <li>- Human Rights</li> <li>- Staff Management</li> <li>- Health &amp; Safety</li> <li>- Product Safety &amp; Quality</li> <li>- Social Responsibility</li> </ul>               | <ul style="list-style-type: none"> <li>▪ MEB says it has policies to treat all employees fairly and ensure a safe working environment.</li> <li>▪ It provides training to develop its employees' professional skills.</li> <li>▪ It has continuously supported the development of communities and society by promoting reading in schools by allowing schools to access its e-book platforms.</li> <li>▪ It also organizes and supports social and public benefit projects such as the Read More Gain More project, the 1 E-Library project, and the Writer School project.</li> </ul>                         |
| <p><b>GOVERNANCE &amp; SUSTAINABILITY</b></p> <ul style="list-style-type: none"> <li>- Board</li> <li>- Ethics &amp; Transparency</li> <li>- Business Sustainability</li> <li>- Risk Management</li> <li>- Innovation</li> </ul>        | <ul style="list-style-type: none"> <li>▪ We believe MEB has a good board of directors (BOD) structure. It has 10 members, four of whom are independent directors. Two female board members are also present. Two directors hold a 9.4% stake each in MEB.</li> <li>▪ It has appointed an Audit Committee to audit, review, and scrutinize transactions to ensure transparency and prevent conflicts of interest.</li> <li>▪ It has engaged Dharminti Pcl., an outsourced service provider, to audit its internal control system while KPMG Phoomchai Audit Ltd. (KPMG) is the auditor of the group.</li> </ul> |

Sources: Thanachart, Company data

## INCOME STATEMENT

| FY ending Dec (Bt m)              | 2022A      | 2023A      | 2024F      | 2025F      | 2026F      |
|-----------------------------------|------------|------------|------------|------------|------------|
| Sales                             | 1,712      | 1,916      | 2,200      | 2,406      | 2,609      |
| Cost of sales                     | 1,198      | 1,326      | 1,511      | 1,651      | 1,790      |
| <b>Gross profit</b>               | <b>514</b> | <b>590</b> | <b>690</b> | <b>755</b> | <b>819</b> |
| % gross margin                    | 30.0%      | 30.8%      | 31.3%      | 31.4%      | 31.4%      |
| Selling & administration expenses | 115        | 127        | 165        | 176        | 185        |
| <b>Operating profit</b>           | <b>399</b> | <b>463</b> | <b>525</b> | <b>579</b> | <b>634</b> |
| % operating margin                | 23.3%      | 24.1%      | 23.8%      | 24.1%      | 24.3%      |
| Depreciation & amortization       | 4          | 5          | 5          | 10         | 10         |
| <b>EBITDA</b>                     | <b>404</b> | <b>467</b> | <b>529</b> | <b>589</b> | <b>644</b> |
| % EBITDA margin                   | 23.6%      | 24.4%      | 24.1%      | 24.5%      | 24.7%      |
| Non-operating income              | 12         | 10         | 15         | 15         | 15         |
| Non-operating expenses            | 0          | 0          | 0          | 0          | 0          |
| Interest expense                  | (0)        | (0)        | (0)        | (0)        | (0)        |
| <b>Pre-tax profit</b>             | <b>412</b> | <b>472</b> | <b>539</b> | <b>594</b> | <b>649</b> |
| Income tax                        | 82         | 98         | 108        | 119        | 130        |
| <b>After-tax profit</b>           | <b>329</b> | <b>374</b> | <b>431</b> | <b>475</b> | <b>519</b> |
| % net margin                      | 19.2%      | 19.5%      | 19.6%      | 19.7%      | 19.9%      |
| Shares in affiliates' Earnings    | 1          | 14         | 20         | 20         | 20         |
| Minority interests                | (0)        | (1)        | (1)        | (1)        | (1)        |
| Extraordinary items               | 0          | 0          | 0          | 0          | 0          |
| <b>NET PROFIT</b>                 | <b>330</b> | <b>386</b> | <b>450</b> | <b>494</b> | <b>537</b> |
| <b>Normalized profit</b>          | <b>330</b> | <b>386</b> | <b>450</b> | <b>494</b> | <b>537</b> |
| EPS (Bt)                          | 1.1        | 1.3        | 1.5        | 1.6        | 1.8        |
| Normalized EPS (Bt)               | 1.1        | 1.3        | 1.5        | 1.6        | 1.8        |

*We project MEB's three-year earnings CAGR at 12% over 2024-26F*

## BALANCE SHEET

| FY ending Dec (Bt m)            | 2022A      | 2023A        | 2024F        | 2025F        | 2026F        |
|---------------------------------|------------|--------------|--------------|--------------|--------------|
| <b>ASSETS:</b>                  |            |              |              |              |              |
| Current assets:                 | 545        | 1,438        | 1,666        | 1,945        | 2,164        |
| Cash & cash equivalent          | 482        | 1,346        | 1,560        | 1,829        | 2,038        |
| Account receivables             | 45         | 73           | 84           | 92           | 100          |
| Inventories                     | 3          | 6            | 7            | 8            | 8            |
| Others                          | 15         | 13           | 15           | 17           | 18           |
| Investments & loans             | 0          | 0            | 0            | 0            | 0            |
| Net fixed assets                | 2          | 2            | 3            | 3            | 3            |
| Other assets                    | 13         | 17           | 35           | 36           | 37           |
| <b>Total assets</b>             | <b>561</b> | <b>1,458</b> | <b>1,704</b> | <b>1,984</b> | <b>2,204</b> |
| <b>LIABILITIES:</b>             |            |              |              |              |              |
| Current liabilities:            | 368        | 266          | 269          | 314          | 330          |
| Account payables                | 133        | 146          | 166          | 181          | 197          |
| Bank overdraft & ST loans       | 0          | 0            | 1            | 1            | 1            |
| Current LT debt                 | 0          | 0            | 0            | 0            | 0            |
| Others current liabilities      | 235        | 121          | 103          | 131          | 132          |
| <b>Total LT debt</b>            | <b>0</b>   | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     |
| Others LT liabilities           | 9          | 8            | 9            | 10           | 11           |
| <b>Total liabilities</b>        | <b>377</b> | <b>274</b>   | <b>278</b>   | <b>324</b>   | <b>341</b>   |
| Minority interest               | 1          | 2            | 3            | 5            | 6            |
| Preferreds shares               | 0          | 0            | 0            | 0            | 0            |
| Paid-up capital                 | 139        | 150          | 150          | 150          | 150          |
| Share premium                   | 10         | 627          | 627          | 627          | 627          |
| Warrants                        | 0          | 0            | 0            | 0            | 0            |
| Surplus                         | 0          | 0            | 0            | 0            | 0            |
| <b>Retained earnings</b>        | <b>34</b>  | <b>406</b>   | <b>646</b>   | <b>879</b>   | <b>1,080</b> |
| Shareholders' equity            | 183        | 1,182        | 1,422        | 1,655        | 1,857        |
| <b>Liabilities &amp; equity</b> | <b>561</b> | <b>1,458</b> | <b>1,704</b> | <b>1,984</b> | <b>2,204</b> |

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

| <b>FY ending Dec (Bt m)</b>       | <b>2022A</b> | <b>2023A</b> | <b>2024F</b> | <b>2025F</b> | <b>2026F</b> |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Earnings before tax               | 412          | 472          | 539          | 594          | 649          |
| Tax paid                          | (81)         | (94)         | (130)        | (99)         | (134)        |
| Depreciation & amortization       | 4            | 5            | 5            | 10           | 10           |
| Chg In working capital            | 12           | (19)         | 9            | 7            | 7            |
| Chg In other CA & CL / minorities | 141          | (103)        | 23           | 28           | 24           |
| <b>Cash flow from operations</b>  | <b>487</b>   | <b>260</b>   | <b>445</b>   | <b>539</b>   | <b>555</b>   |
| Capex                             | (4)          | (5)          | (5)          | (10)         | (10)         |
| Right of use                      | (4)          | 1            | (1)          | (1)          | (1)          |
| ST loans & investments            | 0            | 0            | 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 | 4            | (7)          | (15)         | 1            | 1            |
| <b>Cash flow from investments</b> | <b>(4)</b>   | <b>(10)</b>  | <b>(21)</b>  | <b>(10)</b>  | <b>(10)</b>  |
| Debt financing                    | 0            | 0            | 1            | 1            | (0)          |
| Capital increase                  | 143          | 628          | 0            | 0            | 0            |
| Dividends paid                    | (625)        | (145)        | (210)        | (261)        | (336)        |
| Warrants & other surplus          | (132)        | 130          | 0            | 0            | 0            |
| <b>Cash flow from financing</b>   | <b>(614)</b> | <b>613</b>   | <b>(209)</b> | <b>(260)</b> | <b>(336)</b> |
| <b>Free cash flow</b>             | <b>483</b>   | <b>256</b>   | <b>440</b>   | <b>529</b>   | <b>545</b>   |

*Given the nature of the e-book business, its capex is very low*

**VALUATION**

| <b>FY ending Dec</b>                | <b>2022A</b> | <b>2023A</b> | <b>2024F</b> | <b>2025F</b> | <b>2026F</b> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Normalized PE (x)                   | 27.2         | 23.3         | 20.0         | 18.2         | 16.7         |
| Normalized PE - at target price (x) | 33.6         | 28.7         | 24.7         | 22.5         | 20.7         |
| PE (x)                              | 27.2         | 23.3         | 20.0         | 18.2         | 16.7         |
| PE - at target price (x)            | 33.6         | 28.7         | 24.7         | 22.5         | 20.7         |
| EV/EBITDA (x)                       | 21.1         | 16.4         | 14.1         | 12.2         | 10.8         |
| EV/EBITDA - at target price (x)     | 26.3         | 20.9         | 18.0         | 15.7         | 14.1         |
| P/BV (x)                            | 49.2         | 7.6          | 6.3          | 5.4          | 4.8          |
| P/BV - at target price (x)          | 60.7         | 9.4          | 7.8          | 6.7          | 6.0          |
| P/CFO (x)                           | 18.5         | 34.6         | 20.2         | 16.7         | 16.2         |
| Price/sales (x)                     | 5.3          | 4.7          | 4.1          | 3.7          | 3.4          |
| Dividend yield (%)                  | 0.2          | 2.2          | 2.5          | 3.3          | 4.2          |
| FCF Yield (%)                       | 5.4          | 2.8          | 4.9          | 5.9          | 6.1          |
| <b>(Bt)</b>                         |              |              |              |              |              |
| Normalized EPS                      | 1.1          | 1.3          | 1.5          | 1.6          | 1.8          |
| EPS                                 | 1.1          | 1.3          | 1.5          | 1.6          | 1.8          |
| DPS                                 | 0.0          | 0.7          | 0.8          | 1.0          | 1.3          |
| BV/share                            | 0.6          | 3.9          | 4.7          | 5.5          | 6.2          |
| CFO/share                           | 1.6          | 0.9          | 1.5          | 1.8          | 1.9          |
| FCF/share                           | 1.6          | 0.9          | 1.5          | 1.8          | 1.8          |

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

| <b>FY ending Dec</b>             | <b>2022A</b> | <b>2023A</b> | <b>2024F</b> | <b>2025F</b> | <b>2026F</b> |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Growth Rate</b>               |              |              |              |              |              |
| Sales (%)                        | 18.5         | 11.9         | 14.8         | 9.4          | 8.4          |
| Net profit (%)                   | 20.2         | 16.9         | 16.5         | 9.7          | 8.8          |
| EPS (%)                          | 20.2         | 16.9         | 16.5         | 9.7          | 8.8          |
| Normalized profit (%)            | 20.2         | 16.9         | 16.5         | 9.7          | 8.8          |
| Normalized EPS (%)               | 20.2         | 16.9         | 16.5         | 9.7          | 8.8          |
| Dividend payout ratio (%)        | 4.2          | 50.5         | 50.0         | 60.0         | 70.0         |
| <b>Operating performance</b>     |              |              |              |              |              |
| Gross margin (%)                 | 30.0         | 30.8         | 31.3         | 31.4         | 31.4         |
| Operating margin (%)             | 23.3         | 24.1         | 23.8         | 24.1         | 24.3         |
| EBITDA margin (%)                | 23.6         | 24.4         | 24.1         | 24.5         | 24.7         |
| Net margin (%)                   | 19.2         | 19.5         | 19.6         | 19.7         | 19.9         |
| D/E (incl. minor) (x)            | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Net D/E (incl. minor) (x)        | (2.6)        | (1.1)        | (1.1)        | (1.1)        | (1.1)        |
| Interest coverage - EBIT (x)     | na           | na           | na           | na           | na           |
| Interest coverage - EBITDA (x)   | na           | na           | na           | na           | na           |
| ROA - using norm profit (%)      | 53.4         | 38.3         | 28.5         | 26.8         | 25.7         |
| ROE - using norm profit (%)      | 101.8        | 56.6         | 34.6         | 32.1         | 30.6         |
| <b>DuPont</b>                    |              |              |              |              |              |
| ROE - using after tax profit (%) | 101.5        | 54.8         | 33.1         | 30.9         | 29.5         |
| - asset turnover (x)             | 2.8          | 1.9          | 1.4          | 1.3          | 1.2          |
| - operating margin (%)           | 24.0         | 24.6         | 24.5         | 24.7         | 24.9         |
| - leverage (x)                   | 1.9          | 1.5          | 1.2          | 1.2          | 1.2          |
| - interest burden (%)            | 100.0        | 100.0        | 99.9         | 99.9         | 99.9         |
| - tax burden (%)                 | 80.1         | 79.2         | 80.0         | 80.0         | 80.0         |
| WACC (%)                         | 9.6          | 9.6          | 9.6          | 10.1         | 10.1         |
| ROIC (%)                         | (218.9)      | (122.4)      | (256.7)      | (338.5)      | (294.4)      |
| NOPAT (Bt m)                     | 320          | 366          | 420          | 463          | 507          |
| invested capital (Bt m)          | (299)        | (163)        | (137)        | (172)        | (180)        |

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

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|        |       |              |
|--------|-------|--------------|
| 90-100 | ▲▲▲▲▲ | Excellent    |
| 80-89  | ▲▲▲▲  | Very Good    |
| 70-79  | ▲▲▲   | Good         |
| 60-69  | ▲▲    | Satisfactory |
| 50-59  | ▲     | Pass         |
| Below  |       | N/A          |

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**Note:** Thanachart Capital Pcl (TCAP) holds an 89.96% of Thanachart Securities (TNS). TCAP holds a 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 combinedly hold a 60% stake in THANI.

**Note:** Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.35% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG ) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

**Note:** Thanachart Securities Public Company Limited (TNS) acts as an underwriter of “Debentures of Srisawad Corporation Public Company Limited (SAWAD) No. 4/2024 (B.E. 2567) tranche 1-3 which its maturity at 2027-29 (B.E. 2570-72), therefore investors need to be aware that there could be conflicts of interest in this research.

**Note:** Thanachart Securities Public Company Limited (TNS) acts as an underwriter of “Debentures of MUANGTHAI CAPITAL PUBLIC COMPANY LIMITED No. 7/2024 (B.E. 2567) tranche 1-3 which its maturity at 2026-28 (B.E. 2569-71)”, therefore investors need to be aware that there could be conflicts of interest in this research.

### Disclosure of Interest of Thanachart Securities

#### Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Euroasia Total Logistics Pcl (ETL TB).

### 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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