

BUY

Initiation

TP: Bt 5.00

Upside : 31.6%

18 JUNE 2021

Stark Corporation Pcl. (STARK TB)

A new big fish

We initiate coverage on STARK, the leading wire and cable manufacturer in ASEAN, with a BUY rating and a DCF-based TP of Bt5.0. We forecast its earnings to triple in three years driven by its expansion into Vietnam and strong cable demand in the region as it is moving toward the EV and Smart City era.



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Initiating with a BUY and a Bt5.0 TP

We initiate coverage on STARK with a BUY rating. *First*, STARK is a big-fish company as the largest wire and cable producer in Thailand and ranked 14th in the world, after its recent acquisition in Vietnam. This also provides a new growth opportunity in a fast-growing country with room to gain market share and improve margins via penetration into high-end products. *Second*, we see STARK as a growth stock with its earnings base tripling in three years, on our estimates, or EPS growth of 62%/40%/32% in 2021-23F. *Third*, STARK is highly profitable with a 41% ROE in 2021F and rising. We value STARK on a 2022F DCF-based TP of Bt5.0. Given its strong earnings outlook, we don't see its valuation as pricey at 34x PE in 2021F, falling to 24x in 2022F.

Foundations for growth

STARK, under the "Phelps Dodge" brand, has about 30% share in the non-automotive wire and cable market in Thailand, an oligopoly market dominated by three players controlling more than 60%. Despite now having a new owner, STARK has been in the business for over 50 years and it is the only manufacturer with a capability to produce extra-high voltage cables (230kV and 500kV). STARK doubled its total production capacity last year via the acquisition of smaller plants in Thailand and the largest wire and cable manufacturer in Vietnam, ThiPha Cable. These should be the foundations of its strong growth for the next few years.

Earnings look set to triple in three years

We project STARK's earnings to triple to Bt3.3bn in 2023F from Bt1.1bn in 2020. Growth drivers are 1) over Bt200bn worth of cable demand to serve investments by the Thai government over 2021-25 on transmission line expansion, underground cable rollouts in major cities, and skytrain construction; 2) expansion of transmission lines and new power plants in Vietnam to serve its rapidly growing electricity consumption; 3) higher sales volume and margins from penetrating Vietnam's high-end cable market as import substitutes; and 4) a Bt9bn order backlog for 2H21F.

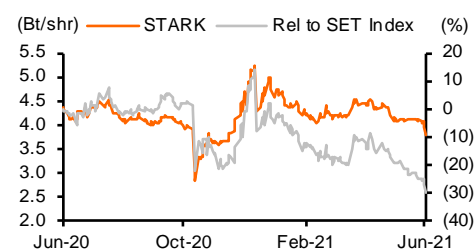
Margin expansion

We project STARK's gross margin to rise to 24% in 2023F from 18% in 2020, backed by a rising higher-end product mix, a higher plant utilization rate, and procurement scale benefits. We expect medium-to-high voltage cables to make up 38% of revenue in 2023F (33% in 2020) on the megatrend to upgrade national grids for EV charging and Smart Grid applications. We also estimate its utilization rate to rise to 73% in 2023F from 51% in 2020. As STARK became the largest producer in ASEAN after acquiring ThiPha last year, we expect its higher purchasing power to help lower its raw material costs (>80% of COGS).

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	16,858	19,788	22,820	25,954
Net profit	1,619	1,789	2,508	3,317
Consensus NP	—	na	na	na
Diff frm cons (%)	—	—	—	—
Norm profit	1,105	1,789	2,508	3,317
Prev. Norm profit	—	1,789	2,508	3,317
Chg frm prev (%)	—	—	—	—
Norm EPS (Bt)	0.1	0.1	0.2	0.2
Norm EPS grw (%)	312.3	61.9	40.2	32.3
Norm PE (x)	54.6	33.7	24.1	18.2
EV/EBITDA (x)	28.7	19.8	15.3	12.2
P/BV (x)	16.3	11.9	9.3	7.2
Div yield (%)	0.0	1.5	2.1	2.7
ROE (%)	37.0	40.9	43.5	44.7
Net D/E (%)	291.5	180.2	125.1	91.8

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 18-Jun-21 (Bt)	3.80
Market Cap (US\$ m)	1,438.6
Listed Shares (m shares)	11,906.4
Free Float (%)	28.8
Avg Daily Turnover (US\$ m)	15.3
12M Price H/L (Bt)	5.25/2.84
Sector	Industrial Materials & Machinery
Major Shareholder	K.Vonnarat Tangkaravakoon
	48.69%

Sources: Bloomberg, Company data, Thanachart estimates

A new big fish

STARK is ASEAN's largest cable manufacturer...

...with a 30% share of the Thai non-auto cable market

Stark Corporation Pcl (STARK) is the largest non-automotive wire and cable manufacturer in ASEAN, and is ranked 14th in the world in terms of production capacity. Under the brand 'Phelps Dodge', it has a 30% market share in the non-auto cable market in Thailand, an oligopoly market dominated by three major players which control over 60% of the market. The Phelps Dodge brand was established in Thailand in 1968, and thus has a strong reputation among both the B2B (contractors, power plant and real-estate developers, and local distributors) and B2G (qualified vendors to bid for government mega-projects and national grid-related projects by EGAT/PEA/MEA) segments, while it also has formed a solid distribution channel pool in Thailand. Thanks to shared technology knowhow from its former partners which are among the leading global cable manufacturers, Phelps Dodge Corporation and General Cable, STARK has another key competitive area of having the capability to design and produce high-end cables. It is now the only manufacturer in ASEAN that can produce extra-high voltage cables (EHV), which requires leading-edge production technology with the Vertical Continuous Vulcanization (VCV) process.

Ex 1: Three Key Production Plants In Thailand ...



Source: Company data

Ex 2: ...Including A 100-Meter-Tall VCV Building



Sources: Company data, Capstan*

Note: * Schematic figure, from Capstan and Extruder Group, is for illustration purposes and is not the actual design of STARK's plant

It acquired the largest cable producer in Vietnam...

STARK has expanded its cable business into Vietnam by acquiring the largest cable producer in the country, Tinh Phat Cables (ThiPha). After the acquisition in March 2020, STARK's total production capacity doubled to 150k tonnes of copper conversion per year and 100k tonnes for aluminum-based products. This also made it the largest electricity cable manufacturer in ASEAN. Similar to Thailand, the electricity cable market in Vietnam is dominated by only few major players with government investments in the national electricity grid as the biggest customer. Leveraging on an already strong customer base from ThiPha, STARK plans to improve its business in Vietnam by strengthening local selling channels and implementing advanced production technology from Thailand to enhance plant efficiency and add the capability to manufacture high-end products in Vietnam.

...and related upstream plants in 2020

In Vietnam, STARK also acquired a related upstream manufacturing company, Dovina, which operates polymer mixing and rod conversion plants. Dovina has significantly improved STARK's cost competitiveness vs. peers, as it has now become the most integrated cable manufacturer in both its key markets. Dovina, after the acquisition, stopped exporting its products to serve internal demand within the group instead to reduce costs.

Ex 3: Acquired Manufacturing Plant In Vietnam...



Source: Company data

Ex 4: ...With Related Upstream Production

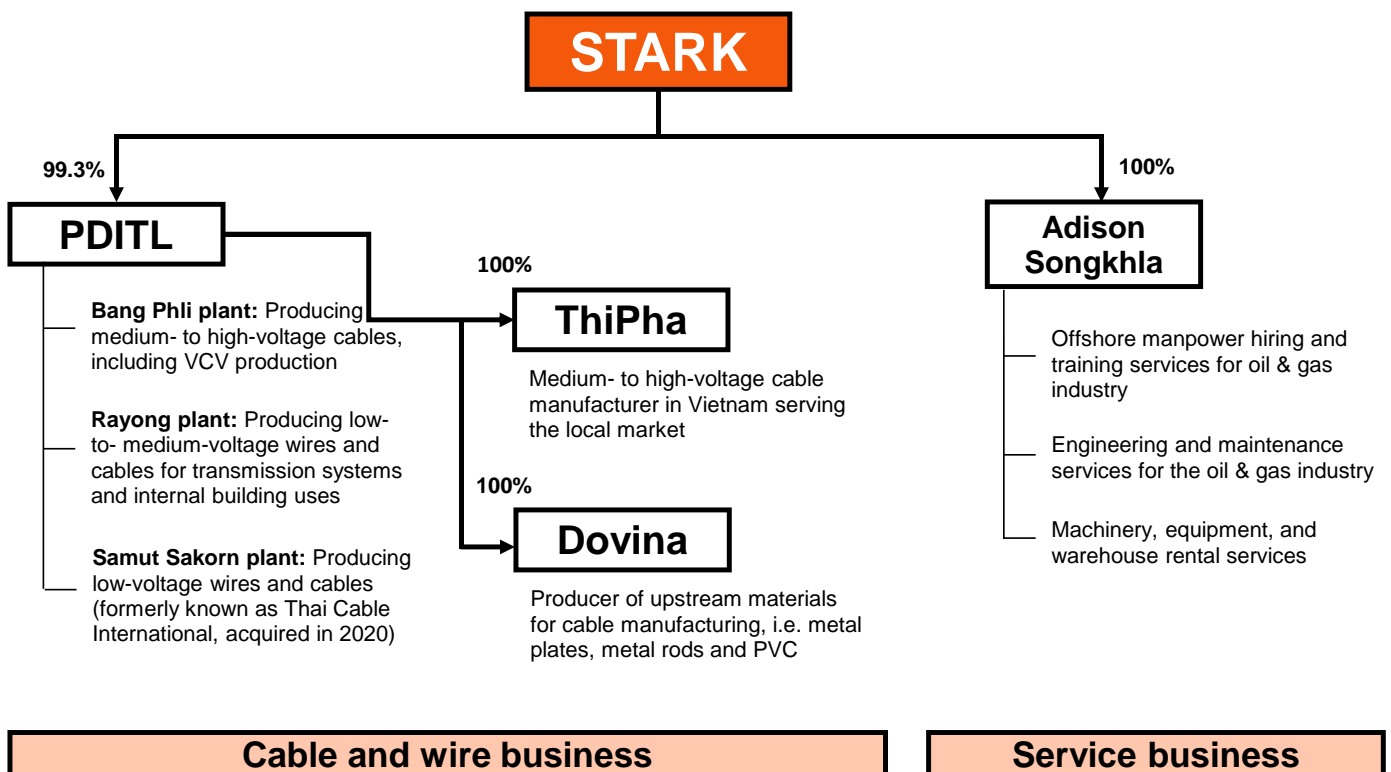


Source: Company data

Side business of manpower services to help penetrate the oil and gas industry

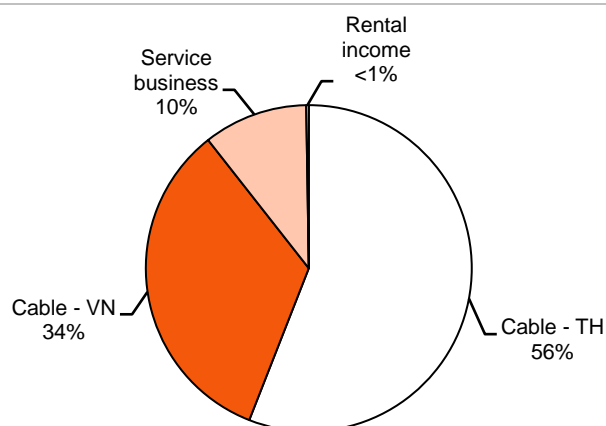
STARK later acquired a service business, Adison Songkhla, which provides well-trained manpower to perform engineering and maintenance work for customers in the oil and gas industry, i.e. oil vessel cleaning and offshore construction work. STARK expects this to help pave the way for it to become a major supplier of specialized wires and cables in this restricted industry. Adison contributes around 10% of STARK’s earnings base.

Ex 5: STARK’s Company Structure



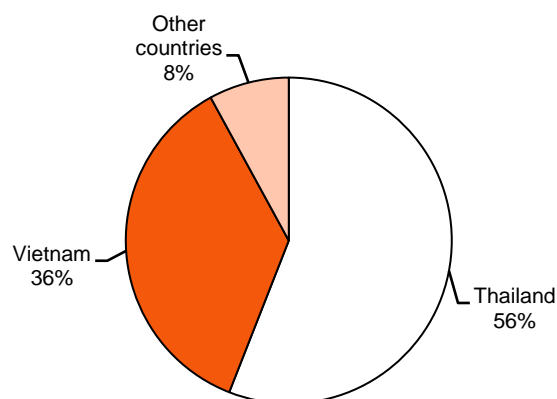
Source: Company data

Ex 6: Sales Breakdown By Business (2020)



Source: Company data

Ex 7: Sales Breakdown By Geography (2020)



Source: Company data

Initiating with a BUY and a Bt5.0 TP

We see STARK as a big fish with high and improving profitability

We initiate coverage on STARK with a BUY for three key reasons:

- 1) STARK is big-fish company in the non-automotive electricity wire and cable markets in Thailand and Vietnam, where there is growing demand for electricity wires and cables to upgrade and replace national electricity transmission systems in preparation for a surge in electricity demand for electric vehicles (EV) and efficiency improvements via Smart Grid applications.
- 2) We estimate STARK's earnings to triple in three years from strong demand growth in its two key markets, and an expected expanding margin trend backed by market demand shifting toward higher-end products and its larger scale advantages.
- 3) STARK is a highly profitable company with a 41% ROE in 2021F and rising.

We value STARK at Bt5.0/share

Given STARK's strong growth outlook and high profitability, we don't see its PE of 34x in 2021F as demanding. We value STARK using DCF methodology, using a 2022F base year, to derive a 12-month TP of Bt5.0/share.

Ex 8: Our Key Assumptions

	2021F	2022F	2023F	2024F	2025F
Revenue growth (%)	17.4	15.3	13.7	10.6	9.6
Gross margin (%)	20.5	22.2	23.9	24.7	25.3
Total production capacity (m tpa)	250.0	265.0	280.0	295.0	300.0
Plant utilization (%)	54.4	59.8	65.0	68.7	74.4

Source: Thanachart estimates

Foundations for growth

Strong cable demand from infrastructure investment in Thailand over 2020-25...

As a major player in both markets, we expect STARK to enjoy strong demand for electricity wires and cables to support investments by the Thai and Vietnamese governments in their national electricity transmission systems. Thai government, via the state-owned enterprise Electricity Generating Authority of Thailand (EGAT), plans to invest a total of Bt562bn over 2020-25 on 1) the expansion of electricity transmission line coverage nationwide to support urbanization and the rollout of EV charging stations across the country, and 2) the installation of underground electricity cable networks in major city areas to improve the landscape and boost safety for surrounding communities. We estimate Bt226bn (40%) of wire and cable value from those projects, which is a sizable opportunity for STARK. If we assume it maintains a 30% share of the Thai cable market, this implies Bt13.5bn in revenue p.a. for STARK over 2021-25F. Note that STARK strengthened its competitiveness in the domestic market by acquiring Thai Cable International Co., Ltd. (TCI), a common-type cable manufacturer (i.e. low-voltage cables and bare electricity wires), last year to expand its product coverage. This offers potential upside for STARK to win a larger share in the biddings for infrastructure projects.

...and Vietnam expanding its electricity generation and transmission capacity

Vietnam plans to accelerate its investment in national electricity generation and transmission capacity to cope with its fast-growing economy, backed by increasing foreign investment. According to its latest Power Development Plan (revised PDP-7, March 2016), Vietnam targets to build power plants with a total of 82GW of capacity over 2021-30 to serve a forecasted 8% p.a. of electricity consumption growth during the period. The government has set aside more than a Bt1.0trn investment budget for this expansion, including construction costs for the required infrastructure of transmission lines and substations. We estimate this mega-investment electricity generation plan to translate into a Bt175bn cable market value in Vietnam in five years.

Ex 9: Opportunities From Various Infrastructure Projects In Thailand And Vietnam Over 2020-25

Project	Investment budget	Estimated cable value
	Bt bn	Bt bn
Thailand		
- PEA transmission line expansion for SMART grid and underground cables	239.0	71.7
- MEA underground cable rollout in key cities	143.0	42.9
- Transmission line expansion for the EEC area	77.0	23.1
- EGAT transmission line expansion for higher electricity demand and urbanization	110.0	88.0
- Other related mega-infrastructure projects (i.e. sky train, highspeed train)	1796.0	89.8
Subtotal		315.5
Vietnam		
- New power plants	794.5	79.5
- Transmission line upgrades and expansions	317.1	95.1
Subtotal		174.6
Total market opportunities over 2020-25 from government projects		490.1

Sources: Thailand's Power Development Plan 2018 rev.1, Vietnam's Power Development Plan 7, Company data, Thanachart estimates

Scale benefits enhance its competitiveness in the global market

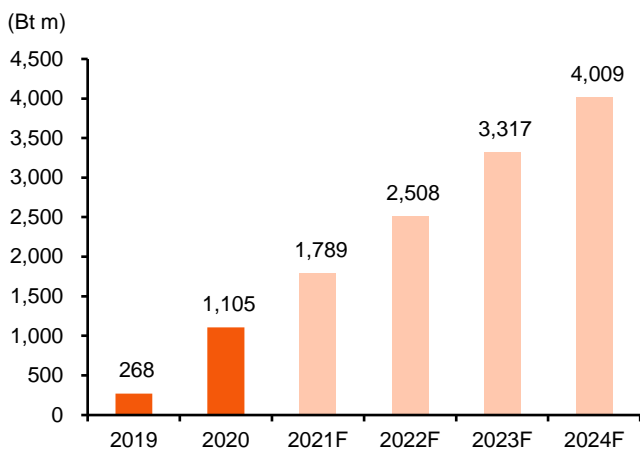
After several acquisitions over the past few years, we believe STARK has now become competitive in the global cable market. We expect this to enhance opportunities for STARK to export more, taking advantage of low operating costs and tax privileges from trade agreements Thailand and Vietnam have signed with major developed countries. Some 8% of STARK’s sales comprise exported products currently, supplying wires and cables to global engineering contractors carrying out infrastructure projects in various countries (i.e. Indonesia, African nations, and countries in the Middle East). We believe this will become a new growth driver for STARK within the next few years as it gains a reputation over time as one of the lowest-cost producers with sizable production capacity on a global scale.

Earnings look set to triple in three years

Strong sales growth the key driver for its 3x earnings base jump

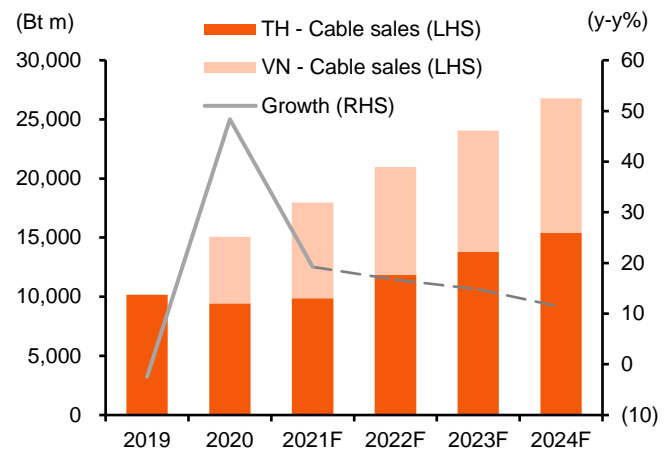
We see STARK as a solid-growth stock and estimate its earnings base to jump by 3x to Bt3.3bn in 2023F (from Bt1.1bn in 2020). This is backed by our sales growth assumption of 15% p.a. in 2021-23F. Most of our expected 17% sales growth in 2021F is from the full-year contribution from the Vietnamese plants acquired in April 2020, which doubled its total production capacity. We estimate another 15% and 14% sales growth in 2022F and 2023F as we foresee a resumption of infrastructure constructions in Thailand and Vietnam, after some delays in those projects during the COVID-19 pandemic over the past one-and-a-half years. The Thai government is accelerating its investments to expand national electricity coverage and capacity to support electric vehicle (EV) adoption, which would require sufficient charging stations nationwide to bolster consumer confidence. In Vietnam, construction of new power plants has continued, to support its fast-growing GDP even during the COVID-19 crisis. These imply huge demand for electricity wires and cables in two key markets for STARK.

Ex 10: We Expect A 3x Earnings Jump In Three Years



Sources: Company data, Thanachart estimates

Ex 11: Strong Sales Growth From Growing Cable Demand



Sources: Company data, Thanachart estimates

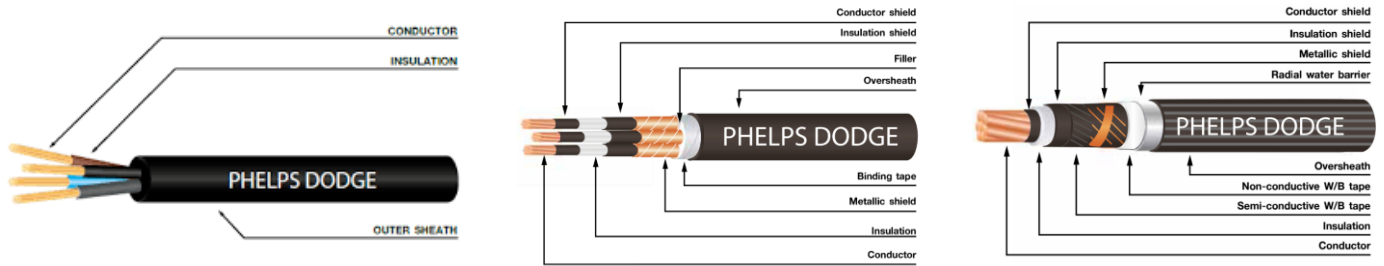
...and its expanding margin trend from favorable industry trends...

An expanding margin trend is the second key earnings growth driver for STARK. This is supported by: **First**, operating leverage benefits from our expectation for plant utilization to increase from 51% right after its two major acquisitions in 2020 to 73% in 2023F. **Second**, we foresee a trend of upgrading the core national grid’s transmission lines into a high-voltage cable system to increase the transmission capacity in areas with a high density of electricity demand, i.e. major cities and industrial community areas. We expect this to result in higher demand for STARK’s higher-end products of medium- to extra-high voltage cables and specialized cables (submarine and underground cables, and high-resistance cables), and we estimate the portion of these high-margin products to increase to 38% of its sales in 2023F (33% in 2020).

...and synergy and scale benefits from its acquisitions last year

Third, we expect synergy benefits on cost reductions via 1) higher purchasing power with its suppliers as STARK has become the largest wire and cable manufacturer in the region, 2) lower costs for feedstocks since STARK now has its own upstream plants for rod conversion and polymer mixing facilities, and 3) STARK transferring its labor-intensive work to plants in Vietnam given the lower wage costs there and lower utility prices compared to its main plants in Thailand. Note that due to the cost-plus nature of the electricity cable market, the rise in global copper and aluminum prices, which are two of its key raw materials, does not have significant impact on STARK’s margins.

Ex 12: Variety Of Electricity Cables Provided By STARK, From Low- To High-End



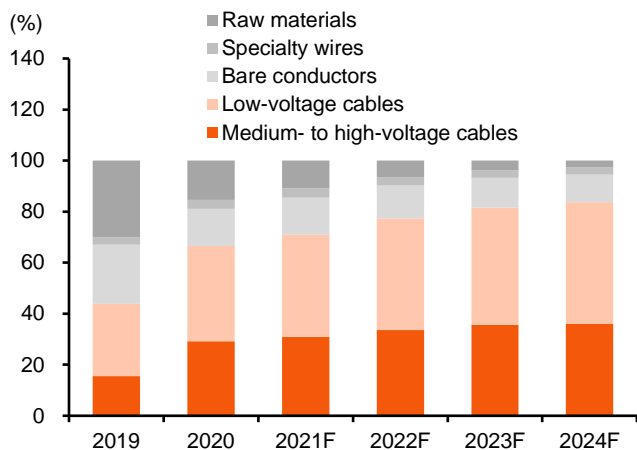
Source: Company data

Ex 13: High Value-Added From Complicated Production Processes For High-Voltage And Specialty Cables



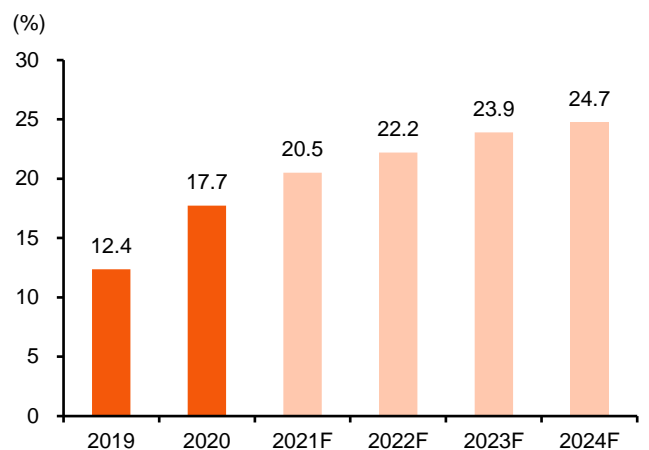
Sources: Company data, General Cable, Sumitomo

Ex 14: Increasing Portion Of Higher-End Products...



Sources: Company data, Thanachart estimates

Ex 15: ...Thus A Rising Margin Trend



Sources: Company data, Thanachart estimates

Ex 16: 12-month DCF-based TP Calculation Using A Base Year Of 2022F

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA (excl. depre from right of use)	4,302	5,396	6,269	7,107	7,808	8,280	8,634	8,985	9,331	9,689	10,060	—
Free cash flow	1,883	1,844	21,978	3,787	4,679	5,504	5,837	6,115	6,392	6,655	6,928	106,279
PV of free cash flow	1,749	1,590	17,584	2,813	3,158	3,433	3,365	3,259	3,148	3,030	2,780	42,655
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.9											
WACC (%)	7.7											
Terminal growth (%)	2.0											
Enterprise value - add investments	88,563											
Net debt (2021F)	9,202											
Minority interest	55											
Equity value	79,305											
# of shares*	15,875											
Equity value/share (Bt)	5.00											

Sources: Company data, Thanachart estimates

Note: * We use a number of fully-diluted shares in our DCF calculation, assuming all of its STARK-W1 warrants to be exercise in 2024F.

Valuation Comparison

Ex 17: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div yield	
			21F (%)	22F (%)	21F (x)	22F (x)	21F (x)	22F (x)	21F (x)	22F (x)	21F (%)	22F (%)
Nexans SA	NEX FP	France	99.3	27.7	20.3	15.9	2.3	2.1	7.7	6.8	1.0	1.3
nVent Electric PLC	NVT US	Britain	na	8.5	17.4	16.0	2.0	1.9	13.8	13.4	2.3	2.4
TE Connectivity Ltd	TEL US	Switzerland	na	10.2	21.7	19.7	4.4	4.0	14.2	13.2	1.5	1.5
Huber + Suhner AG	HUBN SW	Switzerland	15.5	21.6	23.8	19.5	2.3	2.1	12.1	10.2	2.1	2.4
Topsec Technologies Group	002212 CH	China	62.9	40.5	34.2	24.4	2.2	2.1	28.7	20.6	0.3	0.3
Yangtze Optical Fibre & Cabl	601869 CH	China	10.1	20.7	32.4	26.9	2.0	1.9	15.1	13.2	0.9	1.1
Arrow Syndicate PCL	ARROW TB	Thailand	3.0	8.8	13.2	12.2	6.3	6.8	10.3	9.9	5.2	5.7
Interlink Communication PCL	ILINK TB	Thailand	44.4	25.0	12.6	10.1	na	na	na	na	2.4	2.9
Interlink Telecom PCL	ITEL TB	Thailand	16.7	21.4	19.7	16.2	2.0	1.8	11.0	10.0	1.9	2.4
Stark Corporation *	STARK TB	Thailand	61.9	40.2	33.7	24.1	11.9	9.3	19.8	15.3	1.5	2.1
Average			39.2	22.5	22.9	18.5	3.9	3.6	14.7	12.5	1.9	2.2

Sources: Bloomberg, * Thanachart estimates

Based on 18 June 2021 closing prices

COMPANY DESCRIPTION

Stark Corporation Pcl (STARK) is a holding company with subsidiaries that are major wire and cable manufacturers with more than 50 years of industry experience in Thailand and Vietnam. Its total production capacity is the largest in ASEAN and it is ranked 14th globally. STARK also runs service businesses of providing manpower, logistics, and warehouse rentals to clients in the oil and gas industry.

Source: Thanachart

COMPANY RATING



Rating Scale

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

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Good reputation and track record in home-based markets
- Strong purchasing power with its suppliers and scale benefits over peers as it is now the largest cable producer in ASEAN

O — Opportunity

- Opportunities to export more products, and leverage on scale advantages, low labor wages, and tax privileges with various developing countries
- Potential to acquire more related businesses to strengthen its competitiveness and increase market share

W — Weakness

- Relies on importing key raw materials, copper and aluminum, from abroad
- Relies on government spending on national infrastructure projects to grow sales

T — Threat

- Cable manufacturing is a mature technology, so it is not difficult for new players with substantial capital to penetrate the market
- Changes to tax incentives and regulations to take part in biddings for infrastructure projects in each country

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	6.50	5.00	-23%
Net profit 21F (Bt m)	na	1,789	na
Net profit 22F (Bt m)	na	2,508	na
Consensus REC	BUY: 1	HOLD: 0	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- We are one of only two brokers covering the stock.
- Our TP is lower, likely as we are more conservative on STARK's growth potential from more exports.

RISKS TO OUR INVESTMENT CASE

- Slower-than-expected pace of infrastructure progress in Thailand and Vietnam, either from changes in government policy or delays to construction, would represent a downside risk to our earnings forecasts.
- Slower-than-expected pace of its capacity expansion plan and ability to build new capacity represents another downside risk to our numbers.
- Lower-than-expected demand for high-end products would represent a downside risk to its margins, and therefore our earnings projections.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	11,529	16,858	19,788	22,820	25,954
Cost of sales	10,103	13,869	15,730	17,750	19,747
Gross profit	1,426	2,989	4,058	5,070	6,207
% gross margin	12.4%	17.7%	20.5%	22.2%	23.9%
Selling & administration expenses	607	866	1,065	1,176	1,259
Operating profit	819	2,123	2,993	3,894	4,948
% operating margin	7.1%	12.6%	15.1%	17.1%	19.1%
Depreciation & amortization	193	357	515	588	634
EBITDA	1,012	2,480	3,508	4,482	5,582
% EBITDA margin	8.8%	14.7%	17.7%	19.6%	21.5%
Non-operating income	79	60	52	59	70
Non-operating expenses	0	0	0	0	0
Interest expense	(487)	(660)	(659)	(608)	(595)
Pre-tax profit	410	1,523	2,386	3,344	4,423
Income tax	145	419	596	836	1,106
After-tax profit	265	1,104	1,789	2,508	3,317
% net margin	2.3%	6.5%	9.0%	11.0%	12.8%
Shares in affiliates' Earnings	3	1	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	(10)	513	0	0	0
NET PROFIT	258	1,619	1,789	2,508	3,317
Normalized profit	268	1,105	1,789	2,508	3,317
EPS (Bt)	0.0	0.1	0.1	0.2	0.2
Normalized EPS (Bt)	0.0	0.1	0.1	0.2	0.2

We see STARK as a growth stock with earnings tripling in three years

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	8,707	16,331	17,187	19,143	21,824
Cash & cash equivalent	1,431	1,156	1,000	1,500	2,000
Account receivables	3,465	6,042	6,777	7,502	8,533
Inventories	3,671	8,618	9,050	9,726	10,820
Others	140	515	359	415	471
Investments & loans	300	344	344	344	344
Net fixed assets	2,604	4,213	4,325	4,418	5,470
Other assets	1,044	6,429	5,816	5,352	4,783
Total assets	12,655	27,316	27,672	29,257	32,422
LIABILITIES:					
Current liabilities:	8,138	19,649	16,591	16,564	17,824
Account payables	4,788	10,248	10,774	11,185	12,443
Bank overdraft & ST loans	2,528	7,761	3,061	2,420	2,428
Current LT debt	666	1,057	2,142	2,178	2,186
Others current liabilities	155	583	613	781	766
Total LT debt	1,754	3,310	4,999	5,082	5,100
Others LT liabilities	450	594	977	1,072	1,098
Total liabilities	10,341	23,553	22,566	22,718	24,022
Minority interest	46	55	55	55	55
Preferreds shares	0	0	0	0	0
Paid-up capital	12,338	11,906	11,906	11,906	11,906
Share premium	(10,542)	(10,542)	(10,542)	(10,542)	(10,542)
Warrants	0	0	0	0	0
Surplus	(493)	(591)	(591)	(591)	(591)
Retained earnings	965	2,935	4,277	5,711	7,572
Shareholders' equity	2,268	3,709	5,050	6,484	8,345
Liabilities & equity	12,655	27,316	27,672	29,257	32,422

Sources: Company data, Thanachart estimates

Winding down gearing after a few major acquisitions in 2020

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	410	1,523	2,386	3,344	4,423
Tax paid	(129)	(205)	(655)	(740)	(1,098)
Depreciation & amortization	193	357	515	588	634
Chg In working capital	(547)	(2,064)	(641)	(991)	(866)
Chg In other CA & CL / minorities	(702)	25	36	17	(80)
Cash flow from operations	(774)	(364)	1,640	2,218	3,014
Capex	(405)	(1,924)	(500)	(500)	(1,500)
Right of use	0	(308)	(500)	(200)	(100)
ST loans & investments	(30)	(179)	209	0	0
LT loans & investments	1,078	(44)	0	0	0
Adj for asset revaluation	(640)	0	0	0	0
Chg In other assets & liabilities	(315)	(5,103)	1,368	578	509
Cash flow from investments	(312)	(7,558)	577	(122)	(1,091)
Debt financing	197	7,825	(1,926)	(522)	34
Capital increase	1,795	(432)	(0)	0	0
Dividends paid	0	0	(447)	(1,074)	(1,456)
Warrants & other surplus	0	0	0	0	0
Cash flow from financing	1,992	7,393	(2,373)	(1,597)	(1,422)
Free cash flow	(1,179)	(2,287)	1,140	1,718	1,514

Improving cash flow stream as its capex cycle has ended

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	225.0	54.6	33.7	24.1	18.2
Normalized PE - at target price (x)	296.1	71.8	44.4	31.6	23.9
PE (x)	234.2	37.3	33.7	24.1	18.2
PE - at target price (x)	308.1	49.0	44.4	31.6	23.9
EV/EBITDA (x)	63.1	28.7	19.8	15.3	12.2
EV/EBITDA - at target price (x)	81.9	36.4	25.3	19.5	15.6
P/BV (x)	26.6	16.3	11.9	9.3	7.2
P/BV - at target price (x)	35.0	21.4	15.7	12.2	9.5
P/CFO (x)	(77.9)	(165.9)	36.8	27.2	20.0
Price/sales (x)	3.9	2.7	2.3	2.0	1.7
Dividend yield (%)	0.0	0.0	1.5	2.1	2.7
FCF Yield (%)	(2.0)	(3.8)	1.9	2.8	2.5
(Bt)					
Normalized EPS	0.0	0.1	0.1	0.2	0.2
EPS	0.0	0.1	0.1	0.2	0.2
DPS	0.0	0.0	0.1	0.1	0.1
BV/share	0.1	0.2	0.3	0.4	0.5
CFO/share	(0.0)	(0.0)	0.1	0.1	0.2
FCF/share	(0.1)	(0.1)	0.1	0.1	0.1

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	(2.7)	46.2	17.4	15.3	13.7
Net profit (%)	(50.9)	528.4	10.5	40.2	32.3
EPS (%)	(50.9)	528.4	10.5	40.2	32.3
Normalized profit (%)	(40.8)	312.3	61.9	40.2	32.3
Normalized EPS (%)	(40.8)	312.3	61.9	40.2	32.3
Dividend payout ratio (%)	0.0	0.0	50.0	50.0	50.0
Operating performance					
Gross margin (%)	12.4	17.7	20.5	22.2	23.9
Operating margin (%)	7.1	12.6	15.1	17.1	19.1
EBITDA margin (%)	8.8	14.7	17.7	19.6	21.5
Net margin (%)	2.3	6.5	9.0	11.0	12.8
D/E (incl. minor) (x)	2.1	3.2	2.0	1.5	1.2
Net D/E (incl. minor) (x)	1.5	2.9	1.8	1.3	0.9
Interest coverage - EBIT (x)	1.7	3.2	4.5	6.4	8.3
Interest coverage - EBITDA (x)	2.1	3.8	5.3	7.4	9.4
ROA - using norm profit (%)	2.0	5.5	6.5	8.8	10.8
ROE - using norm profit (%)	16.5	37.0	40.9	43.5	44.7
DuPont					
ROE - using after tax profit (%)	16.3	36.9	40.9	43.5	44.7
- asset turnover (x)	0.9	0.8	0.7	0.8	0.8
- operating margin (%)	7.8	12.9	15.4	17.3	19.3
- leverage (x)	8.1	6.7	6.3	4.9	4.2
- interest burden (%)	45.7	69.8	78.3	84.6	88.1
- tax burden (%)	64.6	72.5	75.0	75.0	75.0
WACC (%)	7.7	7.7	7.7	7.7	7.7
ROIC (%)	10.1	26.6	15.3	20.5	25.3
NOPAT (Bt m)	529	1,539	2,245	2,921	3,711
invested capital (Bt m)	5,785	14,681	14,253	14,664	16,059

*Improving profitability trend
from a better product mix
and scale benefits*

Sources: Company data, Thanachart estimates

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