

## Recent ratings changes

Date	Company
12/07	SCG Packaging (SCGP.BK/SCGP TB)*: Risk worthy investment!
10/07	Sappe (SAPPE.BK/SAPPE TB): Playing in a big ocean
29/06	L.P.N. Development (LPN.BK/LPN TB): Still struggling
28/06	COM 7 (COM7.BK/COM7 TB)*: Attractive valuation
26/06	i-Tail Corporation (ITC.BK/ITC TB): 2Q23F earnings preview: Rainy day
12/06	Krung Thai Bank (KTB.BK/KTB TB)*: Margin nearing peak
08/06	AP (Thailand) (AP.BK/AP TB)*: Low earnings visibility
30/05	CK Power (CKP.BK/CKP TB)*: Neither turning back nor moving on
25/05	Betagro (BTG.BK/BTG TB): Cloudy outlook
25/05	Thaifoods Group (TFG.BK/TFG TB): Significant impact from lower swine price
22/05	Royal Plus (PLUS.BK/PLUS TB)*: Looking to cost savings to boost growth
15/05	COM 7 (COM7.BK/COM7 TB)*: 1Q23 earnings review: Above forecast
10/05	Ngern Tid Lor (TIDLOR.BK/TIDLOR TB)*: 1Q23 earnings review: Asset quality stabilized
09/05	Dohome PCL (DOHOME.BK/DOHOME TB)*: 1Q23 earnings review: In-line
09/05	R&B Food Supply (RBF.BK/RBF TB)*: 1Q23F earnings preview: GPM to improve QoQ
08/05	Pilatus Marine (PLT.BK/PLT TB): Expanding LPG fleet overseas
02/05	BBGI Pcl. (BBGI.BK/BBGI TB): 1Q23F earnings preview: Softer ethanol contribution
02/05	Singer Thailand (SINGER.BK/SINGER TB)*: Reshuffling management at critical time
27/04	WHA Corporation PCL (WHA.BK/WHA TB)*: 1Q23F earnings preview: Positive outlook mostly priced-in
24/04	GFPT (GFPT.BK/GFPT TB): 1Q23F earnings preview: Expect drop YoY and QoQ
19/04	Betagro (BTG.BK/BTG TB): 1Q23F earnings preview: Pressured by squeezed margin
10/04	i-Tail Corporation (ITC.BK/ITC TB): Long-term growth remains intact
10/04	Panjawattana Plastic (PJW.BK/PJW TB): U-rate recovery, margin improving
30/03	KCE Electronics (KCE.BK/KCE TB)*: Auto industry to improve
30/03	Krungthai Card (KTC.BK/KTC TB)*: Enjoying higher credit card spending toward mid-year
29/03	Srinanaporn Marketing PCL (SNNP.BK/SNNP TB)*: Savory snack

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**TH** AP (Thailand) (AP.BK/AP TB)\*: 2Q23 earnings review: +5%QoQ in line with expectations

**TH** BCPG Pcl. (BCPG.BK/BCPG TB)\*: 2Q23 earnings review: Shy of estimates

**TH** COM 7 (COM7.BK/COM7 TB)\*: 2Q23 earnings review: Below forecast

**TH** Global Green Chemicals (GGC.BK/GGC TB)\*: 2Q23 earnings review: Weakening as we expected

**TH** Heng Leasing and Capital (HENG.BK/HENG TB): 2Q23 earnings review: Below forecast

**TH** KCE Electronics (KCE.BK/KCE TB)\*: 2Q23 earnings review: Core earnings were in-line

**TH** L.P.N. Development (LPN.BK/LPN TB): 2Q23 earnings review: Disappointing result

**TH** Muangthai Capital (MTC.BK/MTC TB)\*: 2Q23 earnings review: Turn to recovery

**TH** Quality Houses (QH.BK/QH TB)\*: 2Q23 earnings review: Beat expectations

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## Highlight

### TH Dohome PCL (DOHOME.BK/DOHOME TB)\*: 2Q23 earnings review: Missed forecast

DOHOME reported a 2Q23 net profit of Bt39mn (-88% YoY, -85% QoQ). The result was 50% below our forecast and the market consensus due to lower-than-expected sales. Though some improvement is expected to be seen in 2H23, we recommend investors stay on the sideline and wait for a confirmation signal of a recovery in demand. We rate DOHOME Neutral with a 1H24 target price of Bt8.50.

### TH AP (Thailand) (AP.BK/AP TB)\*: 2Q23 earnings review: +5%QoQ in line with expectations

AP reported an unexciting 2Q23 net profit of Bt1.54bn (+5% QoQ, -2% YoY), in line with our expectation. 1H23 earnings of Bt3bn (-8.5% YoY) represented 50% of our full-year forecast. The company's quarterly performance should improve in 2H23 in line with massive new launches and transfers of two newly completed condominiums. Given expected low earnings visibility over the next two years, we maintain a Neutral rating with an unchanged target price of Bt12.20.

### TH BCPG Pcl. (BCPG.BK/BCPG TB)\*: 2Q23 earnings review: Shy of estimates

BCPG's 2Q23 net profit of Bt201mn (-61% QoQ, -39% YoY) was 24% short of our forecast. Meanwhile, 2Q23 core profit was Bt183mn (+14% QoQ, -67% YoY), bringing 1H23 core profit to Bt342mn (-68% YoY), accounting for 24% of our full-year forecast. We expect 2H23F earnings to improve HoH, especially in 3Q23, which should be the peak for the year. Our Outperform call stays with a 23-TP of Bt11.30. The share price should rally as earnings swing to an uptrend, which could wipe out adder and geothermal gaps.

### TH COM 7 (COM7.BK/COM7 TB)\*: 2Q23 earnings review: Below forecast

COM7 reported a 2Q23 net profit of Bt704mn (+14% YoY, -19% QoQ). The result was 8% below our forecast and 5% below the Bloomberg consensus. The lower-than-expected result came mainly from higher-than-expected SG&A expenses. The 1H23 earnings came to Bt1.6bn (+12% YoY), accounting for 46% of our full-year forecast. We rate the counter Outperform with an end-2023 target price of Bt33.00 based on PER 23.0x (-0.5 S.D its historical average).

### TH Global Green Chemicals (GGC.BK/GGC TB)\*: 2Q23 earnings review: Weakening as we expected

GGC reported 2Q23 earnings of only Bt7mn (-98% YoY, -82% QoQ). The result missed our forecast with a difference of only Bt4mn from our expectation. The plunge in earnings was primarily due to lower contribution from fatty alcohols (FA) after the company's FA product-to-feed (P2F) margin declined 24% YoY and 18% QoQ to US\$443/ton in 2Q23, given weaker FA demand. We reiterate a rating of Underperform on GGC with a 2023F target price of Bt10.20, based on 1.0x P/B. We believe i) the poor earnings performance in 2Q23 and ii) high competition in the B100 industry under Thailand's diesel B7 policy will pressure the share price. We also see downside risk of at least 30% from our 2023F earnings projection due to larger-than-expected stock loss, while the company's 1H23 earnings accounted for only 11% of our current full-year forecast of Bt435mn.

### TH Heng Leasing and Capital (HENG.BK/HENG TB): 2Q23 earnings review: Below forecast

HENG reported 2Q23 earnings of Bt81mn (-20% QoQ, -10% YoY). The result was 23% below our forecast due to huge provisioning expenses to counter NPLs. The decline in earnings was due to a huge increase in provisions (+69% QoQ, +63% YoY). We maintain a rating of Underperform with a 2023 target price of Bt2.24 (PE 16x).

### TH KCE Electronics (KCE.BK/KCE TB)\*: 2Q23 earnings review: Core earnings were in-line

KCE reported a 2Q23 core profit of Bt320mn (-47% YoY, +2% QoQ), which was in-line with our forecast and accounted for 33% of our full-year forecast. Weak sales and gross margin were offset by lower-than-expected SG&A. A review of our full-year assumptions and possible earnings revision may be seen. We maintain a rating of Neutral with an end-2023 target price of Bt36.50 based on PER 22.0x.

### TH L.P.N. Development (LPN.BK/LPN TB): 2Q23 earnings review: Disappointing result

LPN's 2Q23 earnings plummeted 40 YoY and 41% QoQ to Bt87mn, around 30% lower than our forecast and the Bloomberg consensus due mainly to weak top line and margins. Given the sluggish 1H23 performance, we see downside risks to our forecasts. Earnings momentum in 3Q23F may still be soft and any recovery should be seen in 4Q23F from the transfers of one newly completed condo and the low base in 4Q22. We maintain a rating of Underperform on the counter with a target price of Bt3.30. LPN announced an interim dividend of Bt0.08/share (XD August 17), offering a yield of 1.9%.

### TH Muangthai Capital (MTC.BK/MTC TB)\*: 2Q23 earnings review: Turn to recovery

MTC reported a 2Q23 net profit of Bt1.2bn (+12% QoQ, -13% YoY). The result was 5% above our forecast due to higher-than-expected loan yield and margin. A key risk will be the company's stretched D/E, which reached 3.7% in 2Q23, up from 3.3% in 1Q23 due to aggressively growing loans. As 1H23 earnings made up 48% of our full-year forecast, we maintain our forecast and rate the counter Neutral with a 2023 target price of Bt36.00 (PE 16x).

**TH Quality Houses (QH.BK/QH TB)\*: 2Q23 earnings review: Beat expectations**

QH reported better than expected 2Q23 earnings of Bt669mn (+30% YoY, +13% QoQ), which was 29% above our forecast and 14% above the Bloomberg consensus. The company's 1H23 earnings came in at Bt1.26bn (+15% YoY) thanks to a strong recovery in condo sales and income from hotels post Covid-19. We maintain our Neutral rating on the counter with a target price of Bt2.45. The company's analyst meeting for 2Q23/1H23 results will be held August 10.

**TH Siam City Cement (SCCC.BK/SCCC TB): 2Q23 earnings review: Seasonal weakness**

SCCC's 2Q23 net profit of Bt656mn (-14% QoQ, -52% YoY) missed our forecast by 9% on higher taxes. Meanwhile, core profit came in at Bt420mn (-20% QoQ, -76% YoY). We still project SCCC's 2H23F margin to continue to improve HoH led by cost downturn, resulting in stronger profit both QoQ and YoY. Our Outperform rating stands with a target price of Bt182.00.

**TH Star Petroleum Refining (SPRC.BK/SPRC TB)\*: 2Q23 earnings review: In line with our forecast**

SPRC reported a 2Q23 net loss of Bt2.1bn, plunging from net profits of Bt7.2bn in 2Q22 and Bt1.2bn in 1Q23. The result was 69% below the Bloomberg consensus, but in line with our forecast. The drop YoY and QoQ was from a significantly lower market GRM of US\$1.3/bbl for the quarter, down 93% YoY and 79% QoQ, pressured by i) lower gasoline, jet oil, and diesel spreads, and ii) extra cost from ship-to-ship crude delivery. Despite the poor performance, we estimate SPRC's earnings to recover materially QoQ in 3Q23 thanks to wider gasoline, jet oil, and diesel spreads of US\$18.5/bbl, US\$22.7/bbl, and US\$26.0/bbl QTD, respectively. We reiterate a rating of Outperform with a 2023F target price of Bt10.00, based on 5.5x EV/EBITDA.

# Dohome PCL

(DOHOME.BK/DOHOME TB)\*

## Neutral · Maintained

Price as of 8 Aug 2023	9.55
12M target price (Bt/shr)	8.50
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	(11.0)

### Key messages

DOHOME reported a 2Q23 net profit of Bt39mn (-88% YoY, -85% QoQ). The result was 50% below our forecast and the market consensus due to lower-than-expected sales. Though some improvement is expected to be seen in 2H23, we recommend investors stay on the sideline and wait for a confirmation signal of a recovery in demand. We rate DOHOME Neutral with a 1H24 target price of Bt8.50.

### Trading data

Mkt cap (Btmn/US\$m)	29,965/749		
Outstanding shares (mn)	3,089		
Foreign ownership (mn)	227		
3M avg. daily trading (mn)	13		
52-week trading range (Bt)	8.8 – 16.8		
Performance (%)	3M	6M	12M
Absolute	-32.2	-29.2	-34.9
Relative	-30.4	-22.7	-31.3

### Quarterly EPS

	1Q	2Q	3Q	4Q
2021	0.25	0.26	0.14	0.14
2022	0.16	0.11	0.02	(0.02)
2023	0.09	0.01		

### Share price chart



Source: SET

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## 2Q23 earnings review: Missed forecast

### Event

2Q23 earnings review, earnings and target price revisions.

### Impact

#### 2Q23 earnings review: Down YoY and QoQ

DOHOME reported a 2Q23 net profit of Bt39mn (-88% YoY, -85% QoQ). The result was 50% below our forecast and the market consensus due to lower-than-expected sales. This put its 1H23 earnings at Bt298mn (-62% YoY), accounting for 26% of our full-year forecast. The company's 2Q23 sales came to Bt8bn (+1% YoY, -6% QoQ) which was 4% lower than our preview. Softer sales would be a result of delayed spending resulting from domestic political issues. DOHOME's 2Q23 same store sales (SSS) declined 9.8%, worse than our preview at a decline of 9% (vs +10.8% in 2Q22 and -9% in 1Q23). The 1H23 sales were at Bt16.5bn (+2% YoY), accounting for 47% of our full-year forecast. 2Q23 gross margin was 14% (-2.8ppts YoY, -2.5ppts QoQ), in-line with our expectation. Gross margin was squeezed due to i) product mix (weighted toward construction), ii) weak steel price, and iii) promotional campaign. SG&A expense was Bt993mn (+10% YoY, -1% QoQ) which implied an SG&A to sales ratio of 12.4%.

#### Watch for factor remains; cut earnings in 2023F-2024F

SSS contracted in the high single-digits in July, which would be due to delayed government disbursements as the formation of a new government has been prolonged. Meanwhile, the risk of drought could also soften demand in 2H23-1H24. Note that the company may postpone its store expansion plan in 2024 and wait for a confirmation signal of a recovery in demand. A smaller promotional campaign, additional house brand products, and normalized gross margin from steel price are expected to improve DOHOME's gross margin in 2H23. After reviewing our assumptions, we cut our earnings forecasts by 49% for 2023F and 38% for 2024F. DOHOME's earnings are expected to contract 28% YoY in 2023F, setting another low earnings base, before recovering and growing 45% YoY in 2024F.

### Valuation & action

We roll our target price over to 1H24 and take into account the impact from our earnings cuts to arrive at a new target price of Bt8.50, from Bt13.20, based on unchanged PER 35.0x (+1.0 S.D. historical average between Siam Global House (GLOBAL.BK/GLOBAL TB)\* and Home Product Center (HMPRO.BK/HMPRO TB)\*). We maintain a Neutral rating on the counter and recommend investors wait and see for a confirmation signal of a recovery in demand.

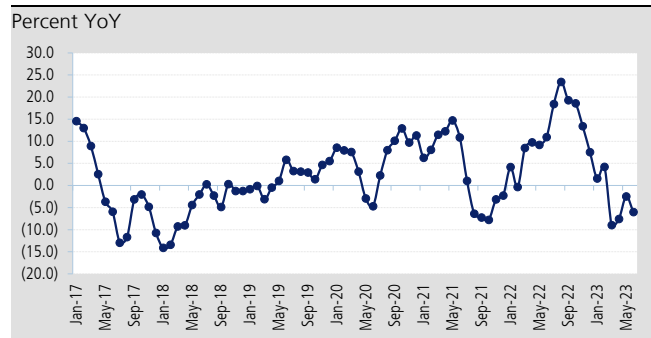
### Risks

Economic slowdown, missed store expansion plan, weak agriculture price, natural disaster, high inventory.

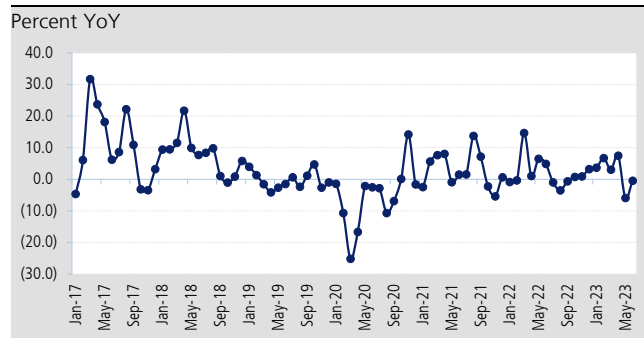
### Key financials and valuations

Year end Dec 31	Dec-18A	Dec-19A	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Revenue (Btmn)	18,445	17,869	18,777	25,785	31,321	31,315	34,415
Gross profit (btmn)	2,684	2,958	3,040	5,207	4,887	5,058	5,682
SG&A (Btmn)	1,907	1,879	2,038	2,836	3,728	4,065	4,376
Net profit (Btmn)	439	726	727	1,818	774	598	870
Normalized profit (Btmn)	439	726	727	1,818	849	598	870
EPS (Bt)	0.31	0.39	0.34	0.75	0.27	0.19	0.28
Normalized EPS (Btmn)	0.31	0.39	0.34	0.75	0.29	0.19	0.28
DPS (Btmn)	0.00	0.19	0.09	0.22	0.08	0.06	0.08
EPS growth (%)	(51.7)	24.7	(14.1)	123.7	(64.5)	(27.5)	45.4
Normalized EPS growth (%)	(51.7)	24.7	(14.1)	123.7	(61.1)	(33.9)	45.4
P/E (X)	26.7	21.4	41.7	26.2	47.6	49.4	34.0
P/B (X)	2.4	2.4	4.3	4.4	3.5	2.4	2.2
EV/EBITDA (X)	17.0	15.7	25.7	19.1	27.2	19.9	17.4
Net debt to Equity (%)	197.4	137.2	145.2	106.8	141.3	124.5	121.7
Dividend yield (%)	0.0	2.2	0.7	1.1	0.5	0.6	0.8
Return on Equity (%)	9.2	12.9	10.7	20.2	6.9	5.0	6.7

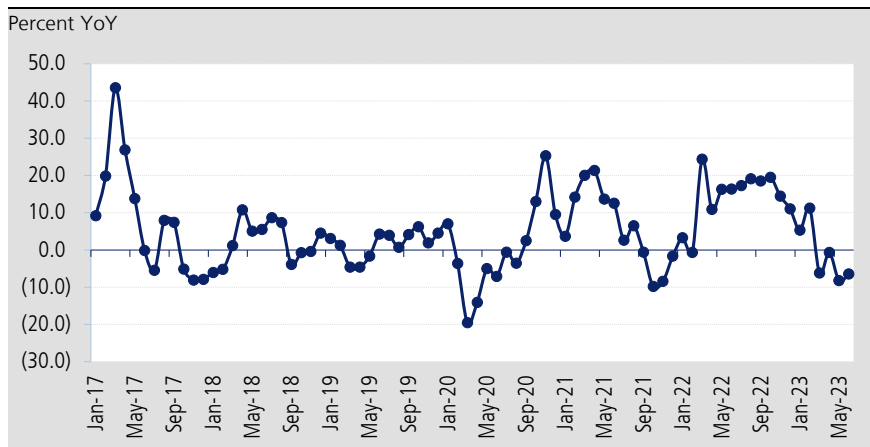
Source: Company data, KGI Securities Research

**Figure 1: Agricultural price index**


Source: OAE, KGI Securities Research

**Figure 2: Agricultural production index**


Source: OAE, KGI Securities Research

**Figure 3: Farm income**


Source: OAE, KGI Securities Research

**Figure 4: 2Q23 earnings review**

Btmn	2Q23	2Q22	%YoY	1Q23	%QoQ	1H23	1H22	%YoY
Revenue from sales	7,995	7,885	1.4	8,462	(5.5)	16,456	16,202	1.6
Cost of goods sold	6,876	6,559	4.8	7,065	(2.7)	13,941	13,412	3.9
Gross profit	1,119	1,325	(15.6)	1,397	(19.9)	2,515	2,790	(9.9)
SG&A expense	993	907	9.5	1,001	(0.8)	1,993	1,781	11.9
EBIT	187	475	(60.7)	447	(58.2)	633	1,111	(43.0)
Finance cost	(141)	(82)	72.1	(122)	15.1	(263)	(149)	76.4
<b>Net profit</b>	<b>39</b>	<b>315</b>	<b>(87.5)</b>	<b>258</b>	<b>(84.8)</b>	<b>298</b>	<b>775</b>	<b>(61.6)</b>
Normalized profit	39	315	(87.5)	258	(84.8)	298	775	(61.6)

Financial ratio	2Q23	2Q22	%YoY	1Q23	%QoQ	1H23	1H22	%YoY
Gross margin	14.0	16.8	(2.8)	16.5	(2.5)	15.3	17.2	(1.9)
SG&A to sales	12.4	11.5	0.9	11.8	0.6	12.1	11.0	1.1
EBIT margin	2.3	6.0	(3.7)	5.3	(2.9)	3.8	6.9	(3.0)
Net margin	0.5	4.0	(3.5)	3.1	(2.6)	1.8	4.8	(3.0)

Assumption	2Q23	2Q22	%YoY	1Q23	%QoQ
Store:					
Size L	21	18		21	
To go	8	9		8	
SSSG	(9.8)	10.8		(9.0)	

Source: KGI Securities Research

**Figure 5: Earnings revisions**

Btmn	2023F			2024F		
	Revised	Previous	Chg	Revised	Previous	Chg
Revenue	31,315	35,008	(10.5)	34,415	38,637	(10.9)
Gross profit	5,058	5,738	(11.9)	5,682	6,441	(11.8)
SG&A	4,065	4,061	0.1	4,376	4,493	(2.6)
EBIT	1,299	1,916	(32.2)	1,644	2,212	(25.7)
<b>Net profit</b>	<b>598</b>	<b>1,165</b>	<b>(48.7)</b>	<b>870</b>	<b>1,398</b>	<b>(37.8)</b>
<b>Normalized profit</b>	<b>598</b>	<b>1,165</b>	<b>(48.7)</b>	<b>870</b>	<b>1,398</b>	<b>(37.8)</b>
EPS (Bt)	0.19	0.38	(48.7)	0.28	0.45	(37.8)
Normalized EPS (Bt)	0.19	0.38	(48.7)	0.28	0.45	(37.8)
Financial ratio (%)						
	Revised	Previous	Chg	Revised	Previous	Chg
Gross margin	16.2	16.4	(0.2)	16.5	16.7	(0.2)
SG&A to sales	13.0	11.6	1.4	12.7	11.6	1.1
EBIT margin	4.1	5.5	(1.3)	4.8	5.7	(0.9)
Assumption						
	Revised	Previous	Chg	Revised	Previous	Chg
SSSG (%)	(6.0)	5.0	(11.0)	8.0	5.0	3.0
GPM (%)	16.2	16.4	(0.2)	16.5	16.7	(0.2)
House brand	19.7	19.5	0.2	20.2	20.0	0.2
<b>Store expansion:</b>						
Size L	3.0	5.0	(2.0)	3.0	5.0	(2.0)
To Go	4.0	4.0	0.0	6.0	6.0	0.0

Source: KGI Securities Research

**Figure 6: Assumptions**

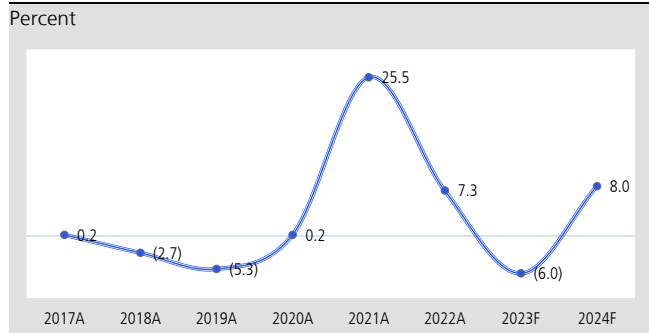
unit		2017	2018	2019	2020	2021	2022	2023F	2024F
Store, year end									
Size L	stores	8	9	10	12	16	21	24	27
To Go	stores	0	0	3	8	10	8	12	18
<b>Total</b>	<b>stores</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>20</b>	<b>26</b>	<b>29</b>	<b>36</b>	<b>45</b>
New store									
Size L	stores	0	1	1	2	4	5	3	3
To Go	stores	0	0	3	5	2	(2)	4	6
<b>Total</b>	<b>stores</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>3</b>	<b>7</b>	<b>9</b>
GPM	percent	16.2	14.6	16.6	16.2	20.2	15.6	16.2	16.5
SSSG	percent	0.2	(2.7)	(5.3)	0.2	25.5	7.3	(6.0)	8.0
SG&A to sales	percent	8.7	10.3	10.5	10.9	11.0	11.9	13.0	12.7
House brand	% to sales	14.3	14.4	16.0	16.5	16.0	18.0	19.7	20.2

Source: KGI Securities Research

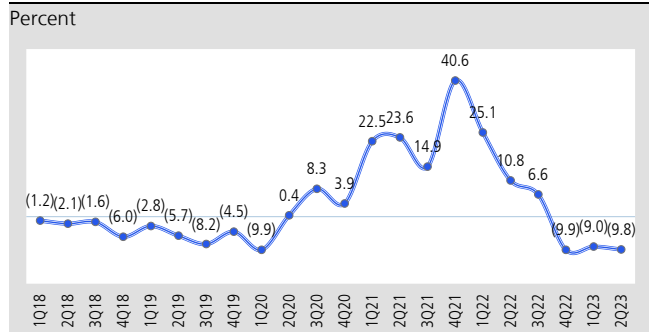
**Figure 7: Company profile**

Dohome PCL (DOHOME) is one of the leaders in retail, wholesale and full-service of construction material and home decoration items under the business concept of "Complete, Cheap, Good...at Dohome", by focusing on offering a wide range of construction materials and home decoration products with good quality, cheap prices, and providing full range of related services.

Source: Company data

**Figure 9: SSS assumption**


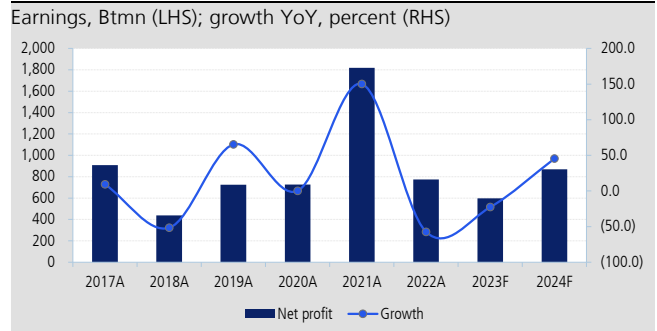
Source: Company data, KGI Securities Research

**Figure 11: SSS quarterly**


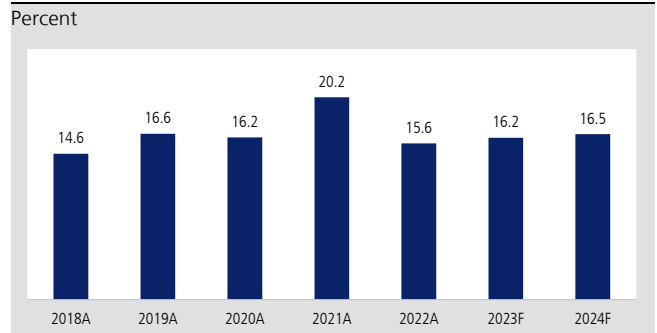
Source: Company data, KGI Securities Research

**Figure 13: PER Band**

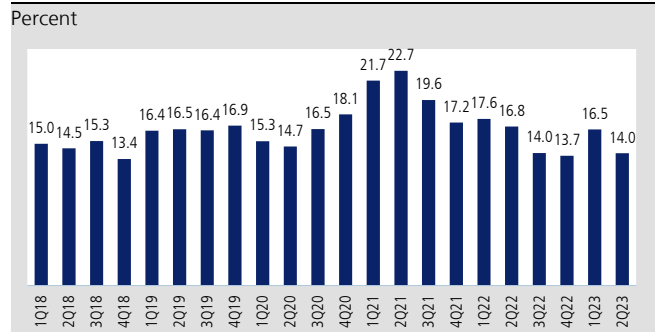

Source: KGI Securities Research

**Figure 8: Earnings**


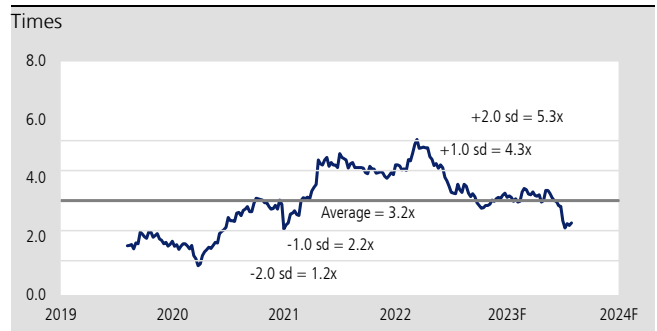
Source: Company data, KGI Securities Research

**Figure 10: Gross margin assumptions**


Source: Company data, KGI Securities Research

**Figure 12: Gross margin**


Source: Company data, KGI Securities Research

**Figure 14: PBV Band**


Source: KGI Securities Research

## Quarterly Income Statement

	Mar-21A	Jun-21A	Sep-21A	Dec-21A	Mar-22A	Jun-22A	Sep-22A	Dec-22A	Mar-23A	Jun-23A
<b>Income Statement (Btmn)</b>										
<b>Revenue</b>	<b>6,110</b>	<b>6,366</b>	<b>6,035</b>	<b>7,274</b>	<b>8,318</b>	<b>7,885</b>	<b>7,475</b>	<b>7,643</b>	<b>8,462</b>	<b>7,995</b>
Cost of good sold	4,786	4,921	4,851	6,020	6,853	6,559	6,428	6,594	7,065	6,876
<b>Gross profit</b>	<b>1,324</b>	<b>1,445</b>	<b>1,184</b>	<b>1,254</b>	<b>1,465</b>	<b>1,325</b>	<b>1,048</b>	<b>1,049</b>	<b>1,397</b>	<b>1,119</b>
Operating expense	606	674	721	835	874	907	942	1,005	1,001	993
Other income	29	35	25	63	46	56	48	74	51	60
<b>Operating profit</b>	<b>747</b>	<b>806</b>	<b>488</b>	<b>482</b>	<b>636</b>	<b>475</b>	<b>154</b>	<b>117</b>	<b>447</b>	<b>187</b>
Depreciation of fixed asset	132	146	145	167	168	189	215	212	217	220
<b>Operating EBITDA</b>	<b>880</b>	<b>952</b>	<b>633</b>	<b>649</b>	<b>804</b>	<b>663</b>	<b>369</b>	<b>329</b>	<b>664</b>	<b>407</b>
<b>Non-Operating income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest income	0	0	0	0	0	0	0	0	0	0
Other non-op. income	0	0	0	0	0	0	0	0	0	0
<b>Non-Operating expense</b>	<b>(64)</b>	<b>(66)</b>	<b>(61)</b>	<b>(67)</b>	<b>(67)</b>	<b>(82)</b>	<b>(90)</b>	<b>(36)</b>	<b>(122)</b>	<b>(141)</b>
Interest expense	(64)	(66)	(61)	(67)	(67)	(82)	(90)	(111)	(122)	(141)
Other non-op. expense	0	0	0	0	0	0	0	75	0	0
Equity income	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	684	740	427	415	569	393	63	(68)	324	46
Current taxation	(140)	(139)	(86)	(82)	(109)	(77)	(13)	17	(66)	(6)
Minorities	0	0	0	0	0	0	0	0	0	0
Extra items	0	0	0	0	0	0	0	0	0	0
<b>Net profit</b>	<b>543</b>	<b>601</b>	<b>340</b>	<b>333</b>	<b>460</b>	<b>315</b>	<b>50</b>	<b>(51)</b>	<b>258</b>	<b>39</b>
<b>Normalized profit</b>	<b>543</b>	<b>601</b>	<b>340</b>	<b>333</b>	<b>460</b>	<b>315</b>	<b>50</b>	<b>24</b>	<b>258</b>	<b>39</b>
EPS (Bt)	0	0	0	0	0	0	0	(0)	0	0
Normalized EPS (Bt)	0	0	0	0	0	0	0	0	0	0
<b>Margin (%)</b>										
Gross profit margin	21.7	22.7	19.6	17.2	17.6	16.8	14.0	13.7	16.5	14.0
Operating EBIT margin	12.2	12.7	8.1	6.6	7.6	6.0	2.1	1.5	5.3	2.3
Operating EBITDA margin	14.4	15.0	10.5	8.9	9.7	8.4	4.9	4.3	7.8	5.1
Net profit margin	8.9	9.4	5.6	4.6	5.5	4.0	0.7	(0.7)	3.1	0.5
<b>Growth (%YoY)</b>										
Revenue growth	33.7	38.3	27.5	49.4	36.1	23.9	23.9	5.1	1.7	1.4
Operating EBIT growth	161.2	237.1	66.9	45.5	(14.8)	(41.1)	(68.5)	(75.7)	(29.8)	(60.7)
Operating EBITDA growth	126.3	176.6	56.9	46.0	(8.5)	(30.3)	(41.7)	(49.3)	(17.5)	(38.7)
Net profit growth	206.3	310.8	81.5	54.7	(15.4)	(47.6)	(85.2)	(115.4)	(43.8)	(87.5)
Normalized profit growth	206.3	310.8	81.5	54.7	(15.4)	(47.6)	(85.2)	(92.9)	(43.8)	(87.5)
SSSG	22.5%	23.6%	14.9%	40.6%	25.1%	10.8%	6.6%	-9.9%	-9.0%	-9.8%

Source: Company data, KGI Securities Research



## Balance Sheet

As of 31 Dec (Btmn)	2020	2021	2022	2023F	2024F
<b>Total Assets</b>	<b>20,765</b>	<b>27,227</b>	<b>33,318</b>	<b>39,324</b>	<b>40,831</b>
<b>Current Assets</b>	<b>9,749</b>	<b>13,974</b>	<b>15,659</b>	<b>21,114</b>	<b>22,098</b>
Cash&ST Investment	100	301	160	6,196	5,761
Inventories	8,560	11,796	13,761	12,949	14,170
Account Receivable	996	1,571	1,463	1,696	1,867
Other	94	306	274	273	301
<b>Non-current Assets</b>	<b>11,016</b>	<b>13,253</b>	<b>17,659</b>	<b>18,211</b>	<b>18,732</b>
LT Investment	0	0	0	0	0
Net Fixed Assets	10,382	12,346	16,016	16,548	17,049
Others	634	907	1,643	1,663	1,683
<b>Total Liabilities</b>	<b>13,675</b>	<b>16,347</b>	<b>21,715</b>	<b>26,781</b>	<b>27,434</b>
<b>Current liabilities</b>	<b>10,675</b>	<b>13,325</b>	<b>16,456</b>	<b>16,290</b>	<b>16,701</b>
Account Payable	2,845	3,897	4,483	4,316	4,723
ST borrowing	6,852	8,494	11,161	11,161	11,161
Others	977	934	812	812	816
<b>Long-term liabilities</b>	<b>3,001</b>	<b>3,021</b>	<b>5,259</b>	<b>10,491</b>	<b>10,733</b>
Long-term debts	2,739	2,737	4,647	9,896	10,145
Others	262	284	612	595	588
<b>Shareholders' Equity</b>	<b>7,090</b>	<b>10,880</b>	<b>11,603</b>	<b>12,543</b>	<b>13,396</b>
Common stock	2,166	2,422	2,907	3,098	3,098
Capital surplus	3,647	5,553	5,555	5,726	5,726
retained earnings	1,800	3,325	3,521	4,100	4,952
Preferred stock					

Source: KGI Securities Research

## Key Ratios

Year to 31 Dec	2020	2021	2022	2023F	2024F
<b>Growth (%YoY)</b>					
Sales	5.0	37.4	21.4	(0.3)	10.1
OP	(0.6)	119.6	(45.2)	(6.0)	26.6
EBITDA	2.0	97.0	(32.8)	8.4	16.5
NP	0.2	150.2	(57.4)	(22.7)	45.4
Normalized profit	0.2	150.2	(53.3)	(29.5)	45.4
EPS	(14.1)	123.7	(64.5)	(27.5)	45.4
Normalized EPS	(14.1)	123.7	(61.1)	(33.9)	45.4
<b>Profitability (%)</b>					
Gross margin	16.2	20.2	15.6	16.2	16.5
Operating margin	6.1	9.8	4.4	4.1	4.8
EBITDA margin	8.4	12.1	6.7	7.2	7.7
Net margin	3.9	7.1	2.5	1.9	2.5
ROAA	3.7	7.6	2.6	1.6	2.2
ROAE	10.7	20.2	6.9	5.0	6.7
<b>Stability</b>					
Gross debt/equity (%)	192.9	150.2	187.2	213.5	204.8
Net debt/equity (%)	145.2	106.8	141.3	124.5	121.7
Interest coverage (x)	4.7	9.8	3.7	2.4	3.0
Interest&ST debt coverage (x)	0.2	0.3	0.1	0.1	0.1
Cash flow interest coverage (x)	(2.2)	(3.0)	(1.5)	3.6	1.6
Cash flow/interest&ST debt (x)	(0.1)	(0.1)	(0.0)	0.2	0.1
Current ratio (x)	0.9	1.0	1.0	1.3	1.3
Quick ratio (x)	0.1	0.2	0.1	0.5	0.5
Net debt (Btmn)	10,292	11,619	16,399	15,612	16,296
<b>Per share data (Bt)</b>					
EPS	0.3	0.8	0.3	0.2	0.3
Normalized EPS	0.3	0.8	0.3	0.2	0.3
CFPS	(0.3)	(0.3)	(0.2)	0.6	0.3
BVPS	3.3	4.5	4.0	4.0	4.3
Sales/share	8.7	10.6	10.8	10.1	11.1
EBITDA/share	0.7	1.3	0.7	0.7	0.9
DPS	0.1	0.2	0.1	0.1	0.1
<b>Activity</b>					
Asset turnover (x)	0.9	0.9	0.9	0.8	0.8
Days of receivables	20	22	17	20	20
Days of inventory	199	209	190	180	180
Days of payable	66	69	62	60	60
Cash cycle	152	163	145	140	140

Source: KGI Securities Research

## Profit & Loss

Year to Dec 31 (Btmn)	2020	2021	2022	2023F	2024F
<b>Revenue</b>	<b>18,777</b>	<b>25,785</b>	<b>31,321</b>	<b>31,315</b>	<b>34,415</b>
Cost of good sold	15,737	20,578	26,434	26,257	28,733
<b>Gross profit</b>	<b>2,880</b>	<b>4,999</b>	<b>4,612</b>	<b>4,686</b>	<b>5,342</b>
Operating expense	2,038	2,836	3,728	4,065	4,376
Other income	147	153	223	306	337
<b>Operating Profit</b>	<b>1,149</b>	<b>2,524</b>	<b>1,382</b>	<b>1,299</b>	<b>1,644</b>
Depreciation of fixed asset	432	590	784	969	998
<b>Operating EBITDA</b>	<b>1,581</b>	<b>3,113</b>	<b>2,166</b>	<b>2,267</b>	<b>2,642</b>
<b>Non-operating income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest income	0	0	0	0	0
Other non-op income	0	0	0	0	0
<b>Non-operating expense</b>	<b>(245)</b>	<b>(258)</b>	<b>(425)</b>	<b>(551)</b>	<b>(556)</b>
Interest expense	(245)	(258)	(350)	(551)	(556)
Other non-op expense	0	0	(75)	0	0
<b>Equity income/(loss)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Pretax profit</b>	<b>904</b>	<b>2,266</b>	<b>957</b>	<b>748</b>	<b>1,087</b>
Current taxation	(177)	(448)	(183)	(150)	(217)
Minorities	0	0	0	0	0
Extra item	0	0	0	0	0
<b>Net profit</b>	<b>727</b>	<b>1,818</b>	<b>774</b>	<b>598</b>	<b>870</b>
<b>Normalized profit</b>	<b>727</b>	<b>1,818</b>	<b>849</b>	<b>598</b>	<b>870</b>
EPS (Bt)	0.34	0.75	0.27	0.19	0.28
Normalized EPS (Bt)	0.34	0.75	0.29	0.19	0.28

Source: KGI Securities Research

## Cash Flow

Year to Dec 31 (Btmn)	2020	2021	2022	2023F	2024F
<b>Operating cash flow</b>	<b>(547)</b>	<b>(770)</b>	<b>(529)</b>	<b>1,981</b>	<b>869</b>
Net profit	727	1,818	774	598	870
Depreciation&Amortization	432	590	784	969	998
Change in working capital	(1,719)	(3,178)	(2,087)	414	(999)
Others					
<b>Investment cash flow</b>	<b>(1,002)</b>	<b>(2,521)</b>	<b>(4,480)</b>	<b>(1,520)</b>	<b>(1,520)</b>
Net CAPEX	(1,194)	(2,554)	(4,455)	(1,500)	(1,500)
Change in LT investment	243	0	0	0	0
Change in other assets	(1,245)	(2,521)	(4,480)	(1,520)	(1,520)
Free cash flow	(1,549)	(3,291)	(5,009)	461	(651)
<b>Financing cash flow</b>	<b>1,444</b>	<b>3,492</b>	<b>4,869</b>	<b>5,575</b>	<b>215</b>
Change in share capital	309	257	485	191	0
Net change in debt	1,542	1,521	4,919	5,233	233
Change in other liabs	(407)	1,715	(535)	151	(17)
<b>Net cash flow</b>	<b>(104)</b>	<b>202</b>	<b>(141)</b>	<b>6,036</b>	<b>(435)</b>

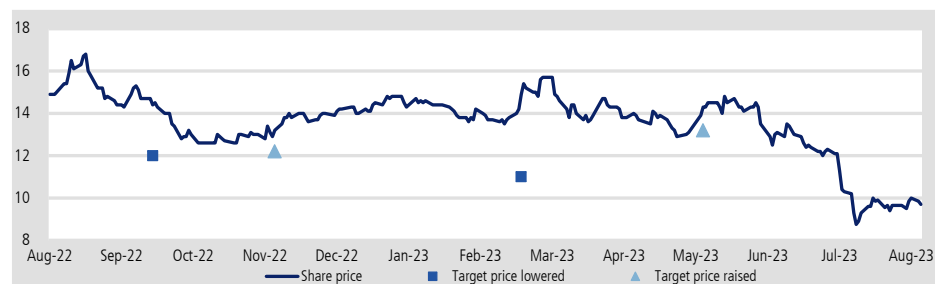
Source: KGI Securities Research

## Rates of Return on Invested Capital

Year	1 - $\frac{\text{COGS}}{\text{Revenue}}$	+ $\frac{\text{Depreciation}}{\text{Revenue}}$	+ $\frac{\text{Operating expense}}{\text{Revenue}}$	= $\frac{\text{Operating margin}}{\text{Revenue}}$
2020	83.8%	2.3%	10.9%	3.0%
2021	79.8%	2.3%	11.0%	6.9%
2022	84.4%	2.5%	11.9%	1.2%
2023F	83.8%	3.1%	13.0%	0.1%
2024F	83.5%	2.9%	12.7%	0.9%
Year	1/ $\frac{\text{Working capital}}{\text{Revenue}}$	+ $\frac{\text{Net PPE}}{\text{Revenue}}$	+ $\frac{\text{Other assets}}{\text{Revenue}}$	= $\frac{\text{Capital Turnover}}{\text{Revenue}}$
2020	(0.1)	0.6	0.6	1.0
2021	(0.1)	0.5	0.6	1.1
2022	(0.1)	0.5	0.6	1.0
2023F	0.0	0.5	0.7	0.8
2024F	(0.0)	0.5	0.7	0.9
Year	1/ $\frac{\text{Operating margin}}{\text{Revenue}}$	x $\frac{\text{Capital turnover}}{\text{Revenue}}$	x $\frac{\text{Cash tax rate}}{\text{Revenue}}$	= $\frac{\text{After-tax return on Inv. capital}}{\text{Revenue}}$
2020	3.0%	1.0	19.6%	0.6%
2021	6.9%	1.1	19.8%	1.5%
2022	1.2%	1.0	19.1%	0.2%
2023F	0.1%	0.8	20.0%	0.0%
2024F	0.9%	0.9	20.0%	0.2%

Source: KGI Securities Research

## Dohome PCL - Recommendation & target price history



Date	Rating	Target	Price
9-May-23	Neutral	13.20	14.30
22-Feb-23	Underperform	11.00	14.90
11-Nov-22	Neutral	12.20	13.20
21-Sep-22	Underperform	12.00	14.40

Source: KGI Securities Research



# AP (Thailand)

(AP.BK/AP TB)\*

## Neutral · Maintained

Price as of 8 Aug 2023	12.00
12M target price (Bt/shr)	12.20
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	1.7

### Key messages

AP reported an unexciting 2Q23 net profit of Bt1.54bn (+5% QoQ, -2% YoY), in line with our expectation. 1H23 earnings of Bt3bn (-8.5% YoY) represented 50% of our full-year forecast. The company's quarterly performance should improve in 2H23 in line with massive new launches and transfers of two newly completed condominiums. Given expected low earnings visibility over the next two years, we maintain a Neutral rating with an unchanged target price of Bt12.20.

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## 2Q23 earnings review: +5% QoQ in line with expectations

### Event

2Q23 earnings review and analyst meeting.

### Impact

#### 2Q23 revenue slightly declined QoQ but earnings rose 5%

AP's 2Q23 net profit of Bt1.544bn (+5% QoQ, -2% YoY) as in line with our forecast of Bt1.5bn and the Bloomberg consensus of Bt1.54bn. Residential revenue slightly declined QoQ to Bt9bn with flat landed property sales of Bt8.7bn while condominium sales plunged 37% to Bt308mn. Gross/net margin rose around 0.9ppt QoQ to record highs of 37.6%/16.6%. Equity income increased 21% QoQ given the transfer of the JV condo Rhythm Charoenkrung Pavillion, completed in 1Q23.

#### 1H23 revenue/earnings slipped around 9-10% YoY

Revenue declined 10% YoY to Bt18.7bn on contractions in sales of both landed properties (-8%) and condominiums (-40%). Gross margins improved 3.6ppts to 37% but net margin was flat YoY at 16% given a 3.6ppts increase in the SG&A to sales ratio to 20%. The company's 1H23 net profit of Bt3bn (-8.5% YoY) represented 50% of our full-year forecast.

### 2H23F outlook

AP's quarterly presales/new launches/transfers are likely to grow QoQ in 3Q23F-4Q23F in line with planned new projects worth Bt56bn in 2H23F (vs. Bt21bn in 1H23) as well as the transfers of the newly completed Bt1.2bn Aspire Pinklao-ArunAmarin (88% sold) and Bt8.6bn The Address Siam-Ratchathewi (39% sold) in 3Q23. Note that AP's presales came in Bt4.7bn in July, improving from monthly presales of Bt3.9bn in 1H23. The 7M23 presales of Bt28bn (-5% YoY) represented 48% of the company's full year target of Bt58bn (+15% YoY). However, margins in 2H23 may slip HoH as the majority of the revenue recognition is likely to be derived from low-margin projects.

### Valuation & Action

We maintain a Neutral rating with a 2023 target price of Bt12.20 pegged to 6.4x (long-term mean PE). Note that AP has no policy to pay an interim dividend for its first half performance.

### Risks

Weakening economic conditions, potential policy reforms and stricter lending measures.

### Key financials and valuations

	Dec - 20A	Dec - 21A	Dec - 22A	Dec - 23F	Dec - 24F
Revenue (Btmn)	29,888	31,794	38,539	40,654	43,820
Gross Profit (Btmn)	9,430	10,311	13,064	13,826	15,020
SG&A (Btmn)	6,160	5,828	7,248	7,602	8,129
Net Profit (Btmn)	4,227	4,543	5,877	6,035	6,360
Normalized Profit (Btmn)	4,227	4,442	5,874	6,035	6,360
EPS (Bt)	1.3	1.4	1.9	1.92	2.02
Normalized EPS (Bt)	1.3	1.4	1.9	1.9	2.0
DPS (Bt)	0.5	0.5	0.7	0.7	0.8
EPS Growth (%)	37.8	7.5	29.4	2.7	5.4
Normalized EPS Growth	41.3	5.1	32.2	2.7	5.4
P/E (X)	5.4	6.6	6.2	6.3	5.9
P/B (X)	0.8	0.9	1.0	0.9	0.8
EV/EBITDA (X)	12.0	10.1	9.2	9.6	9.4
Net Debt to Equity (%)	78.8	65.0	62.3	72.5	78.8
Dividend Yield (%)	6.2	5.2	5.6	5.6	6.4
Return on Average Equity (%)	14.4	14.0	16.0	14.8	14.3

Source: Company data, KGI Securities Research

\*The Company may be issuer of Derivative Warrants on these securities.

<http://research.kgi.com>; Bloomberg: KGIT <GO>

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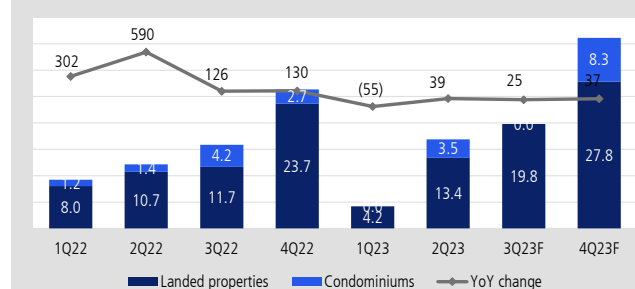
**Figure 1: AP's 2Q23 earnings review**

Bt mn	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)	1H23	1H22	YoY (%)
Revenue	9,282	9,862	(5.9)	9,409	(1.3)	18,691	20,711	(9.8)
Revenue from sales of real estate	9,009	9,620	(6.4)	9,144	(1.5)	18,153	20,241	(10.3)
Revenue from rental and services	273	242	12.9	264	3.3	538	470	14.4
Gross Profit	3,486	3,313	5.2	3,445	1.2	6,931	6,928	0.0
SG&A	1,905	1,715	11.1	1,853	2.8	3,758	3,423	9.8
Operating EBIT	1,689	1,521	11.0	1,624	4.0	3,313	3,432	(3.5)
Operating EBITDA	1,761	1,566	12.4	1,696	3.8	3,456	3,548	(2.6)
Equity Income/(Loss)	289	378	(23.5)	238	21.3	527	624	(15.6)
Pre-tax Profit	1,549	1,508	2.7	5,870	(73.6)	7,418	3,391	118.8
<b>Net Profit</b>	<b>1,544</b>	<b>1,574</b>	<b>(1.9)</b>	<b>1,478</b>	<b>4.5</b>	<b>3,023</b>	<b>3,304</b>	<b>(8.5)</b>
<b>Normalized profit</b>	<b>1,544</b>	<b>1,574</b>	<b>(1.9)</b>	<b>1,478</b>	<b>4.5</b>	<b>3,023</b>	<b>3,304</b>	<b>(8.5)</b>
Percent	2Q23	2Q22	YoY (ppts)	1Q23	QoQ (ppts)	1H23	1H22	YoY (ppts)
Total gross margin	37.6	33.6	4.0	36.6	0.9	37.1	33.5	3.6
Residential gross margin	36.3	32.4	3.8	35.5	0.8	35.9	32.4	3.5
EBIT margin	18.2	15.4	2.8	17.3	0.9	17.7	16.6	1.2
SG&A/sales	20.5	17.4	3.1	19.7	0.8	20.1	16.5	3.6
Revenue breakdown by segments	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)	1H23	1H22	YoY (%)
Low-rise	8,701	9,139	(4.8)	8,657	0.5	17,358	18,907	(8.2)
High-rise	308	481	(36.0)	488	(36.9)	796	1,334	(40.3)

Source: Company data, KGI Securities Research

**Figure 2: Quarterly launches**

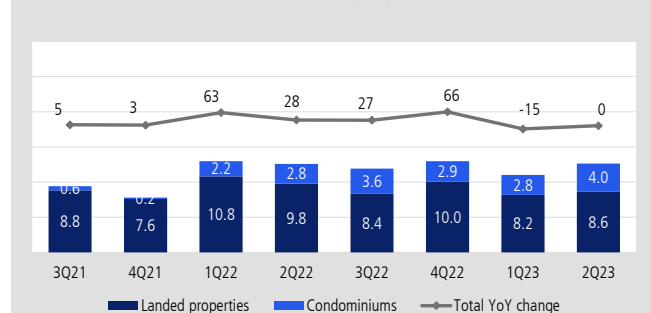
Launches of condominiums and landed properties, Btbn; YoY change, percent



Source: Company data, KGI Securities Research

**Figure 3: Quarterly presales**

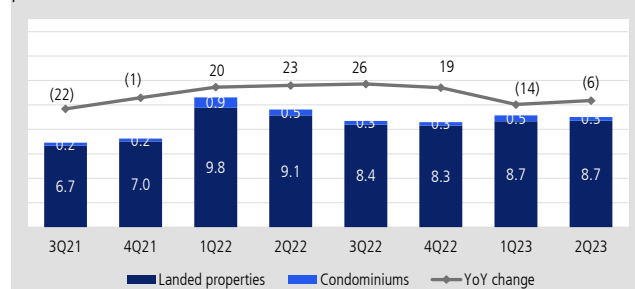
Presales of condominiums and landed properties, Btbn



Source: Company data, KGI Securities Research

**Figure 4: Quarterly transfers**

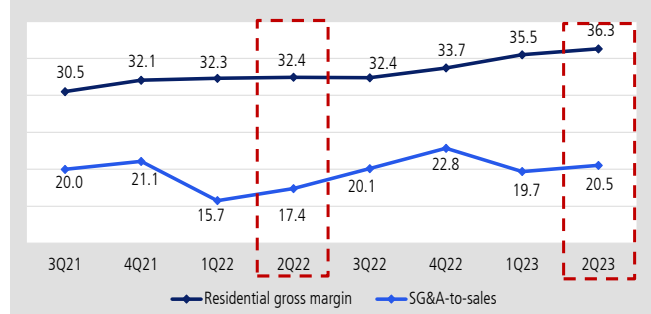
Transfer of condominiums and landed properties, Btbn; YoY change, percent



Source: Company data, KGI Securities Research

**Figure 5: Quarterly margins**

Percent



Source: Company data, KGI Securities Research

### Key highlights from the analyst meeting

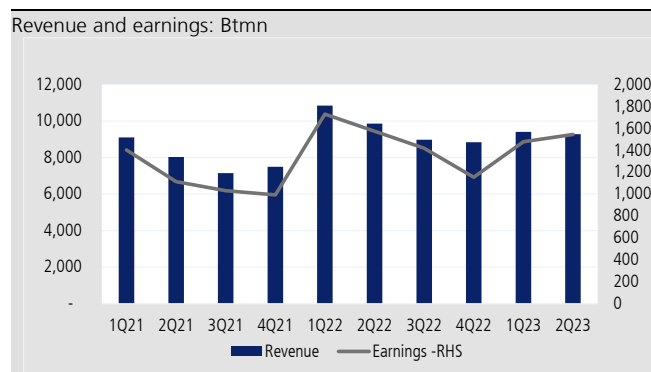
AP delayed the launch of new projects in 3Q23 to 4Q23, implying the value of new launches in 3Q23 will be Bt20bn (from planned Bt25bn), rising to Bt36bn in 4Q23 (from planned Bt27bn). The company also admitted that there are some downsides to its full-year new launch plan worth Bt77bn. Quarterly presales/new launches are likely to grow QoQ in 3Q23F-4Q23F in line with planned new projects worth Bt56bn in 2H23 (vs. Bt21bn in 1H23).

Transfers should also improve QoQ in the second half from massive new launches as well as transfers of the newly completed Bt1.2bn Aspire Pinklao-ArunAmarin (88% sold) and Bt8.6bn The Address Siam-Ratchathewi (39% sold) in 3Q23. However, margins in 2H23 may slip HoH as the majority of revenue recognition is likely to be derived from low-margin projects.

Overall sentiment remains fragile given the delay in the formation of a new government, weakening macro-outlook and stricter lending measures leading to rising rejection/cancellation rates as well as more difficulties in drawing project loans. The bond market is also suffering as Stark Corp (STARK.BK/STARK TB) defaulted on payment of its debentures worth almost Bt10bn in the last few months. AP expects its cost of funds to continue rising from the current 3% while its net D/E ratio is accelerating from 0.58x at end-2022 to 0.66x at end-1Q23 and 0.79x at end-2Q23.

Moreover, authorities responsible for granting licenses to real estate projects are now turning very cautious and taking longer to review new cases after what happened to the Bt6.5bn luxury Ashton Asoke condo recently. Though already completed and 85% sold/transferred 4-5 years ago, this project is now facing serious legal issues after the Supreme Administrative Court ruled to withdraw the construction permit for its violation of the Building Control Act. Hence, we expect delays in new launches, particularly condominium projects.

**Figure 6: Quarterly revenue/earnings trend**



Source: Company data, KGI Securities Research

**Figure 7: Condominiums ready to transfer in 2022-24F**

AP's projects	Value Btmn	Sold	Start transfer
Aspire Erawan Prime	3,200	60%	1Q22
Aspire Rattanaibet-Weston	1,600	32%	1Q23
Aspire Pinklao-Arunamarin	1,200	88%	3Q23
Aspire Ratchayothin	1,400	72%	1Q24
JVs projects			
Rhythm Ekkamai Estate	3,350	32%	3Q22
Life Sathorn Sierra	6,250	68%	3Q22
Rhythm Charoenkrung Pavillion	4,800	73%	1Q23
The Address Siam-Ratchathewi	8,600	39%	3Q23
Life Rama 4-Asoke	6,300	34%	2Q24
Life Phahon Ladprao	3,500	40%	2Q24

Source: Company data, KGI Securities Research

# Quarterly Income Statement

	Jun-20A	Sep-20A	Dec-20A	Mar-21A	Jun-21A	Sep-21A	Dec-21A	Mar-22A	Jun-22A	Sep-22A	Dec-22A	Mar-23A	Jun-23A
<b>Income Statement (Bt mn)</b>													
Revenue	7,792	9,150	7,547	9,106	8,035	7,152	7,501	10,849	9,862	8,982	8,846	9,409	9,282
Cost of Goods Sold	(5,487)	(6,281)	(5,154)	(6,139)	(5,494)	(4,861)	(4,990)	(7,233)	(6,550)	(5,937)	(5,756)	(5,964)	(5,796)
Gross Profit	2,305	2,870	2,393	2,967	2,542	2,292	2,511	3,616	3,313	3,046	3,090	3,445	3,486
Operating Expense	(1,521)	(1,918)	(1,575)	(1,425)	(1,392)	(1,430)	(1,581)	(1,709)	(1,715)	(1,805)	(2,020)	(1,853)	(1,905)
Other incomes	13	25	13	20	24	18	17	9	16	122	12	33	103
Operating Profit	798	977	832	1,562	1,173	880	947	1,916	1,614	1,363	1,082	1,625	1,683
Depreciation of fixed asset	(66)	(67)	(70)	(68)	(46)	(58)	(107)	(70)	(45)	(102)	(73)	(71)	(72)
Operating EBITDA	867	1,043	900	1,628	1,222	937	1,058	1,981	1,566	1,465	1,252	1,696	1,761
Non-Operating Income	4	0	3	0	4	0	3	0	2	0	3	0	5
Interest Income	4	0	3	0	4	0	3	0	2	0	3	0	5
Other Non-op Income	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Operating Expense	564	679	299	70	101	318	253	214	269	306	333	162	208
Interest Expense	(101)	(96)	(95)	(102)	(79)	(48)	(25)	(28)	(14)	(18)	(45)	(76)	(81)
Other Non-op Expense	0	(1)	(4)	(2)	(1)	(0)	1	(5)	(95)	(0)	94	(0)	0
Equity Income/(Loss)	664	776	398	175	181	366	277	247	378	324	284	238	289
Pre-tax profit	700	880	735	1,458	1,097	831	926	1,883	1,508	1,345	1,134	1,549	1,608
Current Taxation	(150)	(205)	(191)	(329)	(163)	(167)	(210)	(400)	(312)	(251)	(267)	(309)	(353)
Minorities	1	(0)	(0)	(0)	0	0	0	0	0	0	1	0	0
Extraordinary items	0	0	0	100	0	0	1	0	0	0	4	0	0
Net Profit	1,215	1,450	942	1,403	1,115	1,031	994	1,730	1,574	1,419	1,155	1,478	1,544
Normalized Profit	1,215	1,450	942	1,303	1,115	1,031	993	1,730	1,574	1,419	1,151	1,478	1,544
EPS (Bt)	0.39	0.46	0.30	0.45	0.35	0.33	0.32	0.55	0.50	0.45	0.37	0.47	0.49
Normalized EPS (Bt)	0.39	0.46	0.30	0.41	0.35	0.33	0.32	0.55	0.50	0.45	0.37	0.47	0.49
<b>Margins</b>													
Gross profit margin	29.6	31.4	31.7	32.6	31.6	32.0	33.5	33.3	33.6	33.9	34.9	36.6	37.6
Operating EBIT margin	10.2	10.7	11.0	17.2	14.6	12.3	12.6	17.7	16.4	15.2	12.2	17.3	18.1
Operating EBITDA margin	11.1	11.4	11.9	17.9	15.2	13.1	14.1	18.3	15.9	16.3	14.2	18.0	19.0
Net profit margin	15.6	15.9	12.5	15.4	13.9	14.4	13.3	15.9	16.0	15.8	13.1	15.7	16.6
<b>Growth (YoY)</b>													
Revenue growth	63.6	55.4	40.7	68.7	3.1	(21.8)	(0.6)	19.1	22.7	25.6	17.9	(13.3)	(5.9)
Operating EBIT growth	74.6	15.4	90.1	114.6	47.1	(9.9)	13.9	22.7	37.5	54.9	14.2	(15.2)	4.3
Operating EBITDA growth	81.4	19.9	82.2	105.3	40.9	(10.2)	17.5	21.7	28.2	56.3	18.3	(14.4)	12.4
Net profit growth	148.9	134.2	7.6	126.8	(8.3)	(28.9)	5.5	23.3	41.2	37.6	16.2	(14.5)	(1.9)
Normalized profit growth	163.7	151.8	7.6	110.6	(8.3)	(28.9)	5.4	32.8	41.2	37.6	15.9	(14.5)	(1.9)

Source: Company data, KGI Securities Research



# BCPG Pcl.

(BCPG.BK/BCPG TB)\*

## Outperform · Maintained

Price as of 8 Aug 2023	9.40
12M target price (Bt/shr)	11.30
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	20.20

### Key messages

BCPG's 2Q23 net profit of Bt201mn (-61% QoQ, -39% YoY) was 24% short of our forecast. Meanwhile, 2Q23 core profit was Bt183mn (+14% QoQ, -67% YoY), bringing 1H23 core profit to Bt342mn (-68% YoY), accounting for 24% of our full-year forecast. We expect 2H23F earnings to improve HoH, especially in 3Q23, which should be the peak for the year. Our Outperform call stays with a 23-TP of Bt11.30. The share price should rally as earnings swing to an uptrend, which could wipe out adder and geothermal gaps.

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## 2Q23 earnings review: Shy of estimates

### Event

2Q23 earnings review with a quick conference call.

### Impact

#### 2Q23 results – Net profit below forecasts by 24%, yet core profit beat 12%

BCPG's 2Q23 net profit of Bt201mn (-61% QoQ, -39% YoY) was shy of our forecast on higher share loss from others business. Stripping out extra items led by FX gains (Figure 2), core profit was Bt183mn (+14% QoQ, -67% YoY), beating estimates on higher interest income. 1H23F core profit of Bt342mn (-68% YoY) made up 24% of our 2023F forecast.

#### Resumed operation at hydropower plants & first contribution for oil terminal

The QoQ rebound was owing to the resumption of Nam San 3A&3B (114MWe – since June 15), stronger solar projects in Japan, and first contribution from the oil terminal (from late May). This is despite negatives from seasonally weaker operations at solar and wind projects in Thailand, adder expiry for BSE-BNN (16MW – from March) & BSE-BPH (16MW – from April) solar projects, continued rise in interest costs, and lower average Ft rate of Bt1.12/kWh (-0.42). Its two gas-fired projects (Carroll & South Field – 151MWe), which booked full-quarter contributions, underwent planned maintenance and were impacted by a decline in the Henry Hub gas price. BCPG's earnings fell YoY due to the halt of hydropower plants, rising interest costs, and adder expiry on some projects.

#### Quick preview of 3Q23F – Peak for the year

On August 4, BCPG signed a purchase and sale agreement with 730 Carroll, LLC (seller) to acquire another 40% stake (from 8.7% currently) in the Carroll project with Bt5bn capex. The deal is expected to be closed in 4Q23 and should boost BCPG to 2,024MWe (+280MWe). Hence, we expect 2H23F earnings to improve HoH, especially in 3Q23. We initially estimate 3Q23F core profit to rise QoQ, driven by i) hydropower plants in Laos (peak season and full-quarter resumption); ii) stronger operation at gas-fired projects in the US (resumed operations, summer season, and first contribution from Liberty & Patriot (426MWe – since July 12); and iii) full-quarter contribution from the oil terminal (since late May). That said, BCPG should see higher interest charges on its debt in tandem with continued rate hikes.

### Valuation & Action

Our Outperform call stays with a 23-TP of Bt11.30. The share price should rally as earnings swing to an uptrend, which could wipe out adder and geothermal gaps. Despite being a non-pure renewable player, growth investors are likely to respond positively following the announcement of new acquisitions after being mute for a long time.

### Risks

Unplanned maintenance, cost overruns, and fluctuations in FX and interest rates.

**Figure 1: BCPG's Q23 earnings review**

Bt mn	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)	1H23	1H22	YoY (%)	Comments (1H23 vs 1H22)
Revenue	1,093	1,436	(23.9)	1,057	3.4	2,150	2,595	(17.1)	(-) Temporary halt of Nam San 3A & 3B and adder-expiry of some projects, mitigated by full-year contribution of Komagane & Yabuki
Gross Profit	525	933	(43.7)	538	(2.3)	1,063	1,671	(36.4)	
SG&A	168	231	(27.3)	154	9.2	322	408	(21.0)	(+) keen cost reduction
Operating Profit	460	733	(37.2)	676	(31.9)	1,136	3,093	(63.3)	
Operating EBITDA	881	1,123	(21.5)	1,059	(16.8)	1,940	3,808	(49.0)	
Non-Operating Inc./(Exp.)	91	(120)	175.5	122	(25.7)	213	726	(70.7)	(-) absence of gain from sales of geothermal project
Equity Income/(Loss)	(31)	(9)	(254.1)	40	(177.1)	9	133	(93.1)	(-) absence of geothermal project from 3 Mar 2022
Interest expense	248	231	7.2	229	8.1	477	437	9.2	(-) the interest rate upcycle and higher debts
<b>Net Profit</b>	<b>201</b>	<b>330</b>	<b>(39.1)</b>	<b>512</b>	<b>(60.7)</b>	<b>713</b>	<b>1,693</b>	<b>(57.9)</b>	
<b>Normalized profit</b>	<b>183</b>	<b>549</b>	<b>(66.7)</b>	<b>160</b>	<b>14.2</b>	<b>342</b>	<b>1,066</b>	<b>(67.9)</b>	
EPS (Bt)	0.07	0.13	(44.4)	0.19	(64.1)	0.36	0.85	(58.0)	
Normalized EPS (Bt)	0.06	0.21	(69.7)	0.06	4.3	0.17	0.54	(68.0)	
Percent	2Q23	2Q22	YoY (ppts)	1Q23	QoQ (ppts)	1H23	1H22	YoY (ppts)	
Gross margin	48.1	65.0	(16.9)	50.9	(2.8)	49.5	64.4	(14.9)	
EBIT margin	42.1	51.0	(8.9)	63.9	(21.8)	52.8	119.2	(66.4)	
SG&A/sales	15.4	16.1	(0.7)	14.6	0.8	15.0	15.7	(0.7)	

Source: Company data, KGI Securities Research

**Figure 2: Details on extra items**

	2022	2023	1Q23	1H22	1H23
<b>Total one-time items:</b>	<b>(218.8)</b>	<b>18.5</b>	<b>352.0</b>	<b>627.6</b>	<b>370.6</b>
<b>FX gain/(loss)</b>	<b>(113.5)</b>	<b>91.0</b>	<b>115.3</b>	<b>(267.0)</b>	<b>206.3</b>
<b>Tax related to FX gain/(loss)</b>	<b>(9.2)</b>	<b>(64.7)</b>	<b>(28.3)</b>	<b>4.2</b>	<b>(93.0)</b>
<b>Other one-time item</b>	<b>(96.2)</b>	<b>(7.8)</b>	<b>265.0</b>	<b>890.4</b>	<b>257.3</b>
Net gain from sales of investment in associates	0.0	-	-	1,644.6	-
Loss from disposal and impairment of assets	(6.8)	-	267.0	(628.7)	267.0
Net withholding tax and special business tax	(70.6)	(25.4)	(1.9)	(70.6)	(27.4)
Other one-time item	(18.8)	17.7	-	(54.9)	17.7

Source: Company data, KGI Securities Research

**Figure 3: Key assumptions and valuation of BCPG**

	Unit	2021	2022	2023F	2024F	2025F
Effective capacity	MWe	501	392	983	1,155	1,744
Average Ft rate	Bt/kWh	(0.2)	0.4	1.0	0.4	0.4
<b>Ratio:</b>						
GPM	Percent	65.6	63.4	57.9	50.0	46.5
EBITDA	Percent	88.9	103.5	85.4	80.6	66.4
NPM	Percent	43.1	48.7	33.5	34.1	30.1
<b>Valuation</b>	<b>Bt/share</b>	<b>Avg. WACC</b>				
Operating	11.92	3.8				
Developing	4.95	4.1				
Cash	5.6					
Debts	(12.4)					
Our DCF-based TP	<b>11.30</b>					
No.shares (mn)	2,908					

Source: Company data, KGI Securities Research





## COM 7

(COM7.BK/COM7 TB)\*

## Outperform • Maintained

Price as of 8 Aug 2023	27.50
12M target price (Bt/shr)	33.00
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	21.1

## Key messages

COM7 reported a 2Q23 net profit of Bt704mn (+14% YoY, -19% QoQ). The result was 8% below our forecast and 5% below the Bloomberg consensus. The lower-than-expected result came mainly from higher-than-expected SG&A expenses. The 1H23 earnings came to Bt1.6bn (+12% YoY), accounting for 46% of our full-year forecast. We rate the counter Outperform with an end-2023 target price of Bt33.00 based on PER 23.0x (-0.5 S.D its historical average).

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## 2Q23 earnings review: Below forecast

## Event

COM7 reported a 2Q23 net profit of Bt704mn (+14% YoY, -19% QoQ). The result was 8% below our forecast and 5% below the Bloomberg consensus. The lower-than-expected result came mainly from higher-than-expected SG&A expenses. The 1H23 earnings came to Bt1.6bn (+12% YoY), accounting for 46% of our full-year forecast.

## Impact

## Sales grew YoY and declined QoQ

Sales came in at Bt15.9bn (+11% YoY, -7% QoQ), which was in-line with our forecast, on the back of store expansion, recovery in consumption and return of tourists (which improve economic sentiment). Revenue from the retail business was at Bt15.6bn (+11% YoY, -7% QoQ), accounting for 97% of the total revenue. Meanwhile revenue from other was at Bt418mn (+4% YoY, -7% QoQ), accounting for 3% of total revenue. Its 1H23 sales were Bt33.2bn (+14% YoY), accounting for 47% of our full-year forecast. The company had 1,284 stores at the end of 2Q23.

## Good gross margin at 14.5%

Gross margin was 14.5% (+1.3ppts Yoy, +0.8ppts QoQ) which was 0.7ppts higher than our forecast. The good gross margin was from good demand for smartphones, especially Android phones. This put the 1H23 gross margin at 14.1% (+0.7ppts YoY), which is higher than our current full-year assumption at 13.6%.

## SG&amp;A to sales ratio at 8.6%

SG&A expense was Bt1.4bn (+22% YoY, +7% QoQ) which implied an SG&A to sales ratio of 8.6% (vs. 7.8% in 2Q22 and 7.4% in 1Q23). The increased SG&A expense was a result of store expansion, higher utilities expenses, expenses related to stores renovation, and higher credit card fees.

## Valuation

We maintain a rating of Outperform with an end-2023 target price of Bt33.00 on PER 23.0x (-0.5 S.D COM7's historical average).

## Risk

Softer-than-expected demand for smartphones, lower-than-expected revenue contribution from accessories, and higher-than-expected price promotion.

Figure 1: COM7's 2Q23 earnings review

Btmn	2Q23	2Q22	%YoY	1Q23	%QoQ	1H23	1H22	%YoY
Revenue from sales	15,990	14,420	10.9	17,254	(7.3)	33,244	29,066	14.4
Cost of goods sold	13,665	12,517	9.2	14,878	(8.2)	28,543	25,160	13.4
Gross profit	2,325	1,904	22.1	2,376	(2.1)	4,701	3,906	20.4
SG&A expense	1,378	1,128	22.2	1,284	7.3	2,663	2,173	22.5
EBIT	969	790	22.7	1,119	(13.4)	2,087	1,783	17.1
Finance cost	(53)	(24)	121.4	(39)	35.8	(93)	(42)	119.4
Equity income	7	2	237.7	45	(83.8)	53	22	139.6
<b>Net profit</b>	<b>704</b>	<b>620</b>	<b>13.6</b>	<b>874</b>	<b>(19.4)</b>	<b>1,578</b>	<b>1,403</b>	<b>12.4</b>
<b>Normalized profit</b>	<b>748</b>	<b>633</b>	<b>18.1</b>	<b>880</b>	<b>(15.0)</b>	<b>1,628</b>	<b>1,419</b>	<b>14.7</b>
EPS (Bt)	0.20	0.17	13.6	0.24	(19.4)	0.44	0.50	(12.1)
Normalized EPS (Bt)	0.21	0.18	18.1	0.24	(15.0)	0.45	0.50	(10.2)
Percent	2Q23	2Q22	ppts YoY	1Q23	ppts QoQ	1H23	1H22	ppts YoY
Gross margin	14.5	13.2	1.3	13.8	0.8	14.1	13.4	0.7
SG&A to sales	8.6	7.8	0.8	7.4	1.2	8.0	7.5	0.5
EBIT margin	6.1	5.5	0.6	6.5	(0.4)	6.3	6.1	0.1
Net margin	4.4	4.3	0.1	5.1	(0.7)	4.7	4.8	(0.1)

Source: KGI Securities Research



# Global Green Chemicals

(GGC.BK/GGC TB)\*

## Underperform · Maintained

Price as of 8 Aug 2023	11.70
12M target price (Bt/shr)	10.20
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	(12.8)

### Key messages

GGC reported 2Q23 earnings of only Bt7mn (-98% YoY, -82% QoQ). The result missed our forecast with a difference of only Bt4mn from our expectation. The plunge in earnings was primarily due to lower contribution from fatty alcohols (FA) after the company's FA product-to-feed (P2F) margin declined 24% YoY and 18% QoQ to US\$443/ton in 2Q23, given weaker FA demand. We reiterate a rating of Underperform on GGC with a 2023F target price of Bt10.20, based on 1.0x P/B. We believe i) the poor earnings performance in 2Q23 and ii) high competition in the B100 industry under Thailand's diesel B7 policy will pressure the share price. We also see downside risk of at least 30% from our 2023F earnings projection due to larger-than-expected stock loss, while the company's 1H23 earnings accounted for only 11% of our current full-year forecast of Bt435mn.

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## 2Q23 earnings review: Weakening as we expected

### Event

GGC reported 2Q23 earnings of only Bt7mn (-98% YoY, -82% QoQ). The result missed our forecast with a difference of only Bt4mn from our expectation. The company also announced an interim dividend of Bt0.10/share with XD on August 21, implying a dividend yield of 0.9% at the current share price.

### Impact

#### 2Q23 earnings plummeted 98% YoY and 82% QoQ

The plunge in earnings was primarily due to lower contribution from fatty alcohols (FA) after GGC's FA product-to-feed (P2F) margin declined 24% YoY and 18% QoQ to US\$443/ton in 2Q23, given weaker FA demand.

### Key highlights

- FA core earnings tumbled QoQ as GGC's FA product-to-feed (P2F) margin declined 18% QoQ to US\$443/ton, consistently dropping from its peak at US\$641/ton in 3Q22 because of softer FA demand from concerns about slower global economic growth after major central banks raised interest rates. The company's FA sales volume also inched down 1% QoQ to 21.7k tons as most buyers still have inventory from their pre-purchase, while the demand for Home and Personal Care products weakened as the global economic situation is quite sluggish.
- Core earnings from its biodiesel (B100) business rebounded QoQ thanks to larger B100 sales volume and slightly better B100 margin. GGC's B100 sales volume grew 5% QoQ to 91.0k tons on the back of stronger demand in the country. The company's B100 EBITDA margin also improved QoQ from very low 0.1% to 1.2% for the quarter as CPO price rose 3% QoQ to Bt32.0/kg owing to a decrease in Thailand's CPO inventories of 261k tons in June (-8% QoQ). However, the B100 industry still faces high competition in Thailand under the diesel B7 policy.
- The company booked a stock gain of Bt5mn, recovering QoQ from a stock loss of Bt133mn in 1Q23 on the back of an increase in CPO price of Bt32.0/kg (+3% QoQ).

### Valuation

We reiterate a rating of Underperform on GGC with a 2023F target price of Bt10.20, based on 1.0x P/B. We believe i) the poor earnings performance in 2Q23 and ii) high competition in the B100 industry under Thailand's diesel B7 policy will pressure the share price. We also see downside risk of at least 30% from our 2023F earnings projection due to larger-than-expected stock loss, while the company's 1H23 earnings accounted for only 11% of our current full-year forecast of Bt435mn.

### Risk

Volatility in CPO price, B100 margin, and FA P2F margin, change in B10 as Thailand's mandatory diesel, and losing one lawsuit arising from raw material loss in the Court of Appeals that GGC has to pay damages of Bt290mn plus 15% per annum interest.

**Figure 1: GGC's 2Q23 earnings review**

Bt mn	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)	1H23	1H22	YoY (%)	Comments
Revenue	4,744	7,503	(36.8)	4,662	1.8	9,406	14,819	(36.5)	B100 sales volume grew 5% QoQ to 91.0k tons in 2Q23.
Cost of goods sold	(4,539)	(6,784)	(33.1)	(4,463)	1.7	(9,001)	(13,370)	(32.7)	
Gross profit	205	719	(71.5)	199	3.0	404	1,449	(72.1)	A stock gain of Bt5mn in 2Q23, recovering QoQ from a stock loss of Bt133mn
Operating expenses	(194)	(216)	(10.4)	(190)	1.8	(384)	(406)	(5.3)	
Operating profit	33	510	(93.4)	26	26.8	60	1,066	(94.4)	
Interest expense	(14)	(13)	8.4	(13)	13.6	(27)	(24)	11.4	
Other non-op expenses	(21)	(97)	(78.3)	(2)	768.0	(23)	(97)	(75.8)	
Current taxation	(13)	(84)	(84.9)	(20)	(37.9)	(33)	(169)	(80.5)	
Extraordinary items	47	68	(31.1)	1	N.A.	48	75	(36.1)	
Net profit	7	422	(98.3)	40	(82.4)	47	909	(94.8)	The result was in line with our forecast in 2Q23.
EPS (Bt)	0.01	0.41	(98.3)	0.04	(82.4)	0.05	0.89	(94.8)	
Percent	2Q23	2Q22	YoY (ppts)	1Q23	QoQ (ppts)	1H23	1H22	YoY (ppts)	
Gross profit margin	4.3	9.6	(5.3)	4.3	0.1	4.3	9.8	(5.5)	
SG&A/sales	4.1	2.9	1.2	4.1	0.0	4.1	2.7	1.3	

Source: Company data, KGI Securities Research

**Figure 2: Key assumptions for 2Q23 earnings**

	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)
<b>Benchmark</b>					
Biodiesel (Bt/liter)	34.7	56.9	(39.1)	33.8	2.5
CPO (Bt/kg)	32.0	54.3	(41.0)	31.0	3.4
CPKO (US\$/ton)	887	1,958	(54.7)	902	(1.7)
<b>Utilization rate</b>					
Biodiesel (%)	73	55	32.7	70	4.3
Fatty alcohols (%)	104	99	5.1	88	18.2
<b>Sales volume</b>					
Biodiesel (k tons)	91.0	69.6	30.8	86.5	5.2
Fatty alcohols (k tons)	21.7	24.7	(11.9)	21.9	(0.8)
<b>Revenue</b>					
Biodiesel (Bt mn)	3,609	4,897	(26.3)	3,293	9.6
Fatty alcohols (Bt mn)	1,135	2,606	(56.4)	1,369	(17.1)
<b>Margin</b>					
B100 EBITDA margin (%)	1.2	4.4	(73.0)	0.1	880.9
FA P2F margin (US\$/ton)	443	580	(23.6)	543	(18.4)
<b>GGC Group</b>					
Overall gross profit margin (%) *	4.2	11.4	(62.8)	7.1	(40.8)
Stock gain/(loss) (Bt mn)	5	(133)	N.A.	(133)	N.A.

\*Excluding stock gain/(loss)

Source: Company data, KGI Securities Research

**Figure 3: Key assumptions for GGC**

	2020	2021	2022	2023F	2024F
<b><u>Benchmark</u></b>					
Biodiesel (Bt/liter)	31.8	41.0	46.4	35.5	33.0
CPO (Bt/kg)	28.1	38.0	43.6	32.5	30.0
CPKO (US\$/ton)	773	1,362	1,562	925	800
<b><u>Utilization rate</u></b>					
Biodiesel (%)	78	64	57	75	85
Fatty alcohols (%)	100	81	96	95	100
<b><u>Sales volume</u></b>					
Biodiesel (k tons)	401	323	293	375	425
Fatty alcohols (k tons)	95	86	97	95	100
<b><u>Revenue</u></b>					
Biodiesel (Bt mn)	14,278	15,308	16,370	15,527	16,615
Fatty alcohols (Bt mn)	3,925	5,615	8,714	4,474	4,221
<b><u>Margin</u></b>					
FA P2F margin (US\$/ton)	310	275	514	416	408
Overall gross profit margin (%)*	6.6	5.5	9.4	6.4	6.4

\*Excluding stock gain/(loss)

Source: Company data, KGI Securities Research



# Heng Leasing and Capital

(HENG.BK/HENG TB)

## Underperform Maintained

Price as of 8 Aug 2023	2.30
12M target price (Bt/shr)	2.24
Revised up (%)	Unchanged
Upside/downside (%)	(2.6)

### Key messages

HENG reported 2Q23 earnings of Bt81mn (-20% QoQ, -10% YoY). The result was 23% below our forecast due to huge provisioning expenses to counter NPLs. The decline in earnings was due to a huge increase in provisions (+69% QoQ, +63% YoY). We maintain a rating of Underperform with a 2023 target price of Bt2.24 (PE 16x).

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## 2Q23 earnings review: Below forecast

### Event

HENG reported 2Q23 earnings of Bt81mn (-20% QoQ, -10% YoY). The result was 23% below our forecast due to higher-than-expected provisioning expenses. The 1H23 earnings were at Bt181mn (+16% YoY), accounting for 36% of our full-year forecast.

### Impact

#### Huge provisioning expenses pressured earnings

Earnings were weaker than expected due to provisioning expenses coming in 34% above our expectation. Earnings contracted QoQ and YoY due to a huge increase in provisions (+69% QoQ, +63% YoY). Excluding the provisioning expenses, PPOP improved 13% QoQ and 35% YoY.

#### Loan growth was in-line with expectation

The company's portfolios grew 7% QoQ and 29% YoY to Bt13.6bn in 2Q23, in-line with our estimate. With fewer H/P loans, yield was higher than our forecast and came in at 18.7% (+60bps QoQ, +154bps YoY). However, funding costs continued to increase 43bps QoQ and 141bps YoY, which was higher than our estimate. Operating expenses were in-line with our forecast and 1% QoQ and 32% YoY, while the C/I ratio was at 53.1% (vs. 55.7% in 1Q23 and 53.6% in 2Q22).

#### Asset quality – NPLs picked up and credit costs rose

Gross NPLs rose QoQ and YoY, particularly in the H/P segment. The NPL ratio was at 3.4% (vs. 3.1% in 1Q23) which was higher than our expectation. The company provided expected credit loss of Bt127mn (+69% QoQ, +63% YoY) to counter the NPLs. This increased credit cost to 3.7% (vs. 2.4% in 1Q23), which was higher than our forecast of 2.8%. The coverage ratio fell to 134%, from 142% in 1Q23.

### Valuation and action

We maintain a rating of Underperform on the counter with a 2023 target price of Bt2.24 (PE 16x).

### Risks

Slow loan demand from slow economic recovery, loan yield reduction, NPLs rising.

Figure 1: HENG's quarterly earnings

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	% chg QoQ	YoY	1H22	1H23F	% chg
<b>Income Statement (Bt mn)</b>															
Interest Income	328	358	386	399	412	437	484	529	563	619	10%	42%	849	1,182	39%
H/P loan	196	210	213	208	211	219	238	256	250	228	-9%	4%	430	478	11%
Other loans	132	148	173	191	201	218	246	273	313	391	25%	80%	419	704	68%
Interest Expense	44	44	49	48	44	48	58	69	85	103	22%	115%	92	187	104%
<b>Interest Income-net</b>	<b>284</b>	<b>314</b>	<b>338</b>	<b>351</b>	<b>368</b>	<b>389</b>	<b>426</b>	<b>460</b>	<b>478</b>	<b>516</b>	<b>8%</b>	<b>33%</b>	<b>757</b>	<b>994</b>	<b>31%</b>
Fee and service income	20	23	27	35	36	43	63	55	64	64	1%	50%	79	128	62%
Other income	12	24	13	19	13	11	14	27	14	11	-19%	3%	24	25	5%
<b>Pre-provision income</b>	<b>317</b>	<b>360</b>	<b>377</b>	<b>405</b>	<b>417</b>	<b>443</b>	<b>503</b>	<b>542</b>	<b>556</b>	<b>592</b>	<b>6%</b>	<b>34%</b>	<b>860</b>	<b>1,148</b>	<b>33%</b>
Operating expenses	183	193	202	212	229	237	265	269	310	314	1%	32%	466	624	34%
<b>Pre-provision profit</b>	<b>134</b>	<b>167</b>	<b>175</b>	<b>193</b>	<b>188</b>	<b>205</b>	<b>239</b>	<b>273</b>	<b>246</b>	<b>278</b>	<b>13%</b>	<b>35%</b>	<b>394</b>	<b>524</b>	<b>33%</b>
Provision	46	98	18	16	96	78	90	(34)	75	127	69%	63%	174	202	16%
<b>Pre-tax profit</b>	<b>76</b>	<b>60</b>	<b>141</b>	<b>163</b>	<b>83</b>	<b>112</b>	<b>122</b>	<b>258</b>	<b>126</b>	<b>101</b>	<b>-20%</b>	<b>-10%</b>	<b>195</b>	<b>227</b>	<b>16%</b>
Income tax	15	12	28	32	17	22	24	51	25	20	-21%	-10%	39	45	16%
<b>Net profit</b>	<b>61</b>	<b>48</b>	<b>113</b>	<b>132</b>	<b>67</b>	<b>90</b>	<b>97</b>	<b>208</b>	<b>101</b>	<b>81</b>	<b>-20%</b>	<b>-10%</b>	<b>156</b>	<b>181</b>	<b>16%</b>
EPS (Bt)	0.02	0.01	0.03	0.03	0.02	0.02	0.03	0.05	0.03	0.02	-20%	-10%	0.04	0.05	16%
<b>Profitability (%)</b>															
Loan yield	NA	16.20	18.05	17.84	17.36	17.19	17.76	18.16	18.14	18.73					
Spread	NA	12.70	14.11	13.91	13.53	13.31	13.62	13.77	13.27	13.44					
Cost of funds	NA	3.81	3.94	3.93	3.83	3.88	4.14	4.39	4.87	5.30					
Cost to income ratio	57.8	53.7	53.6	52.4	54.9	53.6	52.6	49.7	55.7	53.1					
Effective tax rate	20.0	19.5	19.9	19.3	20.0	20.0	20.0	19.6	20.0	19.9					
ROAA	5.9	4.6	5.3	5.7	2.7	3.5	3.6	7.0	3.2	2.4					
ROAE	7.5	5.4	11.1	12.0	5.5	7.3	7.8	16.2	7.6	6.0					
Loan (Bt bn)	NA	8,420	8,706	9,180	9,800	10,527	11,272	12,020	12,802	13,632					
H/P loan	NA	5,515	5,381	5,502	5,763	6,094	6,414	6,733	6,205	5,673					
Other loans	NA	2,905	3,325	3,679	4,037	4,433	4,858	5,288	6,596	7,959					
<b>Asset quality</b>															
NPL (Bt mn)	NA	311	324	314	351	406	341	362	401	466					
NPL ratio (%)	NA	3.7	3.7	3.4	3.6	3.9	3.0	3.0	3.1	3.4					
LLR/loans (%)	NA	7.3	6.7	5.9	6.3	6.5	5.6	4.5	4.4	4.6					
Credit cost (%)	NA	4.6	0.8	0.7	3.9	3.0	3.2	(1.1)	2.4	3.7					
NPL coverage (%)	NA	199	179	172	177	168	185	149	142	134					
Bad debt recovery	NA	23.7	13.1	18.8	13.0	11.0	14.3	27.0	13.9	11.3					
Bad debt write-off	NA	73.1	55.7	58.7	17.4	18.1	141.5	60.9	48.2	72.4					
<b>Growth (YoY%)</b>															
Loan	NA	NA	NA	NA	NA	25.0	29.5	30.9	30.6	29.5					
Revenue	(17.3)	0.4	15.6	18.6	27.9	21.2	31.8	34.9	38.9	41.6					
Operating expense	(16.0)	3.6	18.6	21.1	31.7	22.9	33.4	33.8	33.3	33.6					
Pre-provision profit	(29.7)	(0.6)	27.3	12.5	40.7	23.1	36.3	41.2	30.8	35.1					
Provision expense	(22.8)	425.8	(75.9)	(46.3)	108.0	(19.9)	408.1	(312.0)	(21.7)	62.7					
Bad debt recovery	29.1	162.9	17.2	160.2	5.2	(53.6)	9.4	43.3	6.4	2.8					
Net Profit	(25.7)	(50.3)	167.4	35.9	9.3	86.0	(13.8)	57.5	51.7	(10.1)					

Source: Company data, KGI Securities Research

Figure 2: Asset quality

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	% chg QoQ	YoY		
<b>Total loans</b>														
Stage 1		7,087	7,194	7,938	8,272	8,894	9,695	10,435	11,111	11,736	6%	32%		
Stage 2		1,022	1,191	928	1,177	1,227	1,236	1,222	1,290	1,430	11%	17%		
Stage 3		311	324	314	351	406	341	362	401	466	16%	15%		
<b>LLR</b>														
Stage 1		251	185	188	192	206	222	171	169	188				
Stage 2		163	202	158	209	216	221	171	178	193				
Stage 3		204	195	194	220	260	190	197	220	242				
<b>H/P</b>														
Stage 1		4,561	4,342	4,671	4,776	5,101	5,409	5,722	5,126	4,506	-12%	-12%		
Stage 2		723	826	636	774	756	795	785	827	869	5%	15%		
Stage 3		231	214	194	212	237	210	226	253	298	18%	26%		
<b>LLR</b>														
Stage 1		181	124	109	110	120	126	77	69	71				
Stage 2		117	143	106	133	127	140	102	107	108				
Stage 3		158	131	118	131	148	113	119	134	152				
<b>Other loans</b>														
Stage 1		2,526	2,851	3,267	3,496	3,793	4,286	4,713	5,985	7,230	21%	91%		
Stage 2		299	366	291	403	471	441	438	463	561	21%	19%		
Stage 3		80	110	121	139	169	131	136	148	169	14%	0%		
<b>LLR</b>														
Stage 1		70	60	79	82	87	96	94	100	117				
Stage 2		46	59	53	76	89	81	69	71	84				
Stage 3		46	64	76	89	112	77	78	86	90				

Source: Company data, KGI Securities Research



ALERT

Thailand

# KCE Electronics

(KCE.BK/KCE TB)\*

## Neutral · Maintained

Price as of 8 Aug 2023	42.00
12M target price (Bt/shr)	36.50
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	(13.1)

### Key messages

KCE reported a 2Q23 core profit of Bt320mn (-47% YoY, +2% QoQ), which was in-line with our forecast and accounted for 33% of our full-year forecast. Weak sales and gross margin were offset by lower-than-expected SG&A. A review of our full-year assumptions and possible earnings revision may be seen. We maintain a rating of Neutral with an end-2023 target price of Bt36.50 based on PER 22.0x.

## 2Q23 earnings review: Core earnings were in-line

### Event

KCE reported a 2Q23 net profit of Bt376mn (-34% YoY, +9% QoQ), which was 18% above our forecast, but 9% below the market consensus. Excluding extra items, core profit was Bt320mn (-47% YoY, +2% QoQ), in-line with our forecast as lower-than-expected sales and gross margin were offset by lower-than-expected SG&A expense. This put its 1H23 core profit at Bt634mn (-45% YoY), accounting for 33% of our full-year forecast.

### Impact

#### Weak sales both YoY and QoQ

KCE's 2Q23 sales came in at Bt3.9bn (-17% YoY, -3% QoQ). Excluding the impact from exchange rate, sales were US\$114mn (-17% YoY, -5% QoQ), which was 3% below our forecast. Revenue from Europe remained the largest portion at 48% of total revenue, followed by the US at 24%. Broken down by product, 4-layer PCB was the majority at 35% of total revenue. The company's 1H23 sales were at US\$233mn (-15% YoY), accounting for 46% of our full-year forecast.

#### Weak gross margin

Gross margin was at 19.1% (-3.7ppts YoY, -0.5ppts QoQ), which was 0.9ppts below our preview. The softer gross margin was due to a less optimal utilization rate on softer sales. This put the 1H23 gross margin at 19.4% (-3.4ppts YoY) which was lower than our full-year assumption at 22.5%. The SG&A to sales ratio was 10.7% (vs 9.6% in 2Q22 and 11.9% in 1Q23) which was lower than our preview at 12.3%.

#### Earnings cut possibly be seen

Despite KCE reporting an in-line 2Q23 core profit, an earnings revision may be coming due to the weak sales and gross margin and 1H23 core profit accounting for only 33% of our full-year forecast.

#### Approved interim dividend

KCE's board approved an interim dividend of Bt0.60/share for the operating period between January 1, 2023, and June 30, 2023. XD on August 21 and PD on September 12. This implies a dividend yield of 1.4% from last closing price.

### Valuation

We maintain a Neutral rating on KCE with an end-2023 target price of Bt36.50 based on PER 22.0x (-0.5 S.D its historical average).

### Risk

Natural disasters, unplanned plant shutdowns, customers shifting to other suppliers, raw material shortage, baht appreciation (our FX assumption is Bt33.8/US\$ in 2023-2024).

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## Key financials and valuations

Btmn	2Q23	2Q22	%YoY	1Q23	%QoQ	1H23	1H22	%YoY
Revenue from sales	3,898	4,667	(16.5)	4,025	(3.2)	7,923	9,200	(13.9)
Cost of goods sold	3,152	3,603	(12.5)	3,236	(2.6)	6,388	7,101	(10.0)
Gross profit	746	1,064	(29.9)	789	(5.5)	1,535	2,099	(26.9)
SG&A expense	415	450	(7.8)	480	(13.6)	896	929	(3.6)
EBIT	435	652	(33.3)	400	8.6	835	1,298	(35.7)
Non-op inc/(exp)	56	(30)	(288.6)	31	79.5	87	2	3,691.3
<b>Net profit</b>	<b>376</b>	<b>572</b>	<b>(34.2)</b>	<b>345</b>	<b>8.9</b>	<b>722</b>	<b>1,161</b>	<b>(37.9)</b>
Normalized profit	320	602	(46.8)	314	1.9	634	1,159	(45.3)
EPS (Bt)	0.32	0.49	(34.2)	0.29	8.9	0.61	0.99	(37.9)
Normalized EPS (Bt)	0.27	0.51	(46.8)	0.27	1.9	0.54	0.98	(45.3)
Percent	2Q23	2Q22	YoY ppts	1Q23	QoQ ppts	1H23	1H22	YoY ppts
Gross margin	19.1	22.8	(3.7)	19.6	(0.5)	19.4	22.8	(3.4)
SG&A to sales	10.7	9.6	1.0	11.9	(1.3)	11.3	10.1	1.2
EBIT margin	11.1	14.0	(2.8)	9.9	1.2	10.5	14.1	(3.6)
Net margin	9.7	12.3	(2.6)	8.6	1.1	9.1	12.6	(3.5)
Assumptions	2Q23	2Q22	%YoY	1Q23	%QoQ	1H23	1H22	YoY ppts
Sales in US\$mn	114	136	(16.6)	119	(4.9)	233	274	(15.0)
FX	34.3	34.3	0.1	33.7	1.8			

Source: KGI Securities Research

\*The Company may be issuer of Derivative Warrants on these securities.

<http://research.kgi.com>; Bloomberg: KGIT <GO>

Please see back page for disclaimer

August 9, 2023

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ALERT

Thailand

# L.P.N. Development

(LPN.BK/LPN TB)

## Underperform · Maintained

Price as of 8 Aug 2023	4.18
12M target price (Bt/shr)	3.30
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	(21.0)

### Key messages

LPN's 2Q23 earnings plummeted 40 YoY and 41% QoQ to Bt87mn, around 30% lower than our forecast and the Bloomberg consensus due mainly to weak top line and margins. Given the sluggish 1H23 performance, we see downside risks to our forecasts. Earnings momentum in 3Q23F may still be soft and any recovery should be seen in 4Q23F from the transfers of one newly completed condo and the low base in 4Q22. We maintain a rating of Underperform on the counter with a target price of Bt3.30. LPN announced an interim dividend of Bt0.08/share (XD August 17), offering a yield of 1.9%.

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## 2Q23 earnings review: Disappointing result

### Event

2Q23 earnings review and analyst meeting.

### Impact

#### 2Q23 normalized/net profit collapsed 40-41% YoY/QoQ

LPN reported a disappointing 2Q23 net profit of Bt87mn, around 30% lower than our forecast and the Bloomberg consensus. Total revenue came in at around Bt1.7bn, which was lower than our estimate of Bt1.8bn due to weak condominium sales of Bt805m (-19% YoY) versus our forecast of Bt945m while landed property sales of Bt368m (+29% YoY) were slightly better than our forecast of Bt314mn. Also, gross/net margins of 21.2%/5% were below our expectation of 22.5%/7%, respectively.

#### 1H23 earnings plunged 32% YoY

Total revenue fell 15% YoY to Bt3.55bn mainly due to a 26% drop in residential sales to Bt2.5bn while recurring income from rental/service/management fees surged 26% to Bt1.1bn. Gross/net margin weakened to 22.8%/6.5% respectively compared to 26%/8% in 1H22. The company's 1H23 earnings of Bt232mn (-32% YoY) represented 43% of our full-year forecast of Bt540mn (-21% YoY).

#### Full year guidance likely to be missed

Although LPN plans for more new launches of almost Bt9bn in 2H23F, it would still be insufficient to boost presales to the company's 2023F guidance of Bt13bn as 1H23 presales worth Bt5.4bn were only 42% of the full-year target. Also, LPN is likely to miss its 2023F residential revenue target as 1H23 residential revenue of Bt2.5bn represented 34% of the full-year target of Bt7.25bn. Given the weaker than expected first half performance, we see downside risks to our forecasts.

### Valuation & Action

We expect LPN's 3Q23F performance to remain soft, particularly when compared to 3Q22 when there were substantial sales of office building. Any rebound may be seen in 4Q23F with the transfers of newly completed Lumpini Condotown Ekachai 48 worth Bt2.27bn (21% sold) while 4Q22 earnings were tiny at Bt38mn.

We maintain our Underperform rating on the counter with a target price of Bt3.30, based on 9.0x 2023F PE or -0.75SD to its long-term mean. The 1H23 dividend of Bt0.08/share (XD August 17) implies an interim yield of 1.9% based on the current share price.

### Risks

Weakening economic conditions, strict lending measures and possible policy reforms.

### Key financials and valuations

	Dec - 20A	Dec-21A	Dec - 22A	Dec - 23F	Dec - 24F
Total revenue (Btmn)	7,363	5,570	10,276	7,496	7,950
Gross Profit (Btmn)	2,205	1,611	2,253	1,780	1,920
SG&A (Btmn)	1,259	1,059	1,268	993	1,014
Net Profit (Btmn)	716	302	612	541	586
Normalized Profit (Btmn)	709	299	612	541	586
EPS (Bt)	0.5	0.2	0.4	0.4	0.4
Normalized EPS (Bt)	0.5	0.2	0.4	0.4	0.4
DPS (Bt)	1.4	0.2	0.2	0.2	0.2
EPS Growth (%)	(43.0)	(57.8)	102.5	(11.7)	8.4
Normalized EPS Growth	(43.1)	(57.8)	104.4	(11.6)	8.4
P/E (X)	9.6	23.9	10.1	11.4	10.5
P/B (X)	0.6	0.6	0.5	0.5	0.5
EV/EBITDA (X)	13.1	24.0	14.5	18.6	21.1
Net Debt to Equity (%)	74.1	83.3	89.2	96.1	128.7
Dividend Yield (%)	30.0	3.1	5.3	4.8	4.9
Return on Average Equity (%)	6.1	2.7	5.2	4.4	4.7

Source: Company data, KGI Securities Research

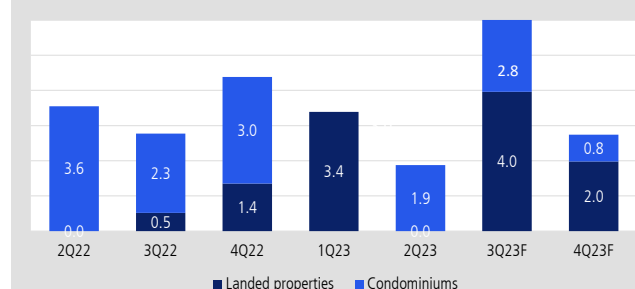
**Figure 1: LPN's 2Q23 earnings review**

Bt mn	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)	1H23	1H22	YoY (%)
<b>Total revenue</b>	<b>1,732</b>	<b>1,986</b>	<b>(12.8)</b>	<b>1,816</b>	<b>(4.6)</b>	<b>3,548</b>	<b>4,191</b>	<b>(15.3)</b>
Revenue from sales of real estate	1,173	1,539	(23.8)	1,280	(8.4)	2,453	3,324	(26.2)
Revenue from rental and services	78	75	3.5	79	(2.1)	157	146	7.4
Management business income	481	372	29.5	457	5.4	938	721	30.2
Gross Profit	368	513	(28.3)	442	(16.8)	810	1,090	(25.7)
SG&A	247	294	(15.9)	251	(1.4)	498	599	(16.9)
Operating EBIT	128	225	(42.9)	199	(35.6)	328	506	(35.2)
<b>Net Profit</b>	<b>87</b>	<b>147</b>	<b>(40.9)</b>	<b>145</b>	<b>(39.9)</b>	<b>232</b>	<b>339</b>	<b>(31.5)</b>
<b>Normalized profit</b>	<b>86</b>	<b>147</b>	<b>(41.5)</b>	<b>145</b>	<b>(40.5)</b>	<b>231</b>	<b>338</b>	<b>(31.6)</b>
Percent	2Q23	2Q22	YoY (ppts)	1Q23	QoQ (ppts)	1H23	1H22	YoY (%)
Gross margin	21.2	26.2	(4.9)	24.4	(3.1)	22.8	26.0	(3.2)
Residential gross margin	21.4	22.0	(0.6)	24.1	(2.8)	22.8	22.0	0.8
EBIT margin	7.4	11.3	(3.9)	11.0	(3.6)	9.2	12.1	(2.8)
SG&A/sales	14.3	14.8	(0.5)	13.8	0.5	14.0	14.3	(0.3)
Revenue breakdown by segments	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)	1H23	1H22	YoY (%)
Low-rise	368	580	(36.5)	285	29.0	654	1,135	(42.4)
High-rise	805	960	(16.2)	995	(19.1)	1,799	2,189	(17.8)

Source: Company data, KGI Securities Research

**Figure 2: Quarterly launches**

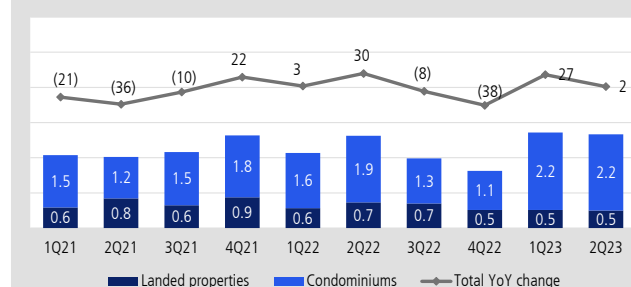
Launches of condominiums and landed properties, Btbn



Source: Company data, KGI Securities Research

**Figure 3: Quarterly presales**

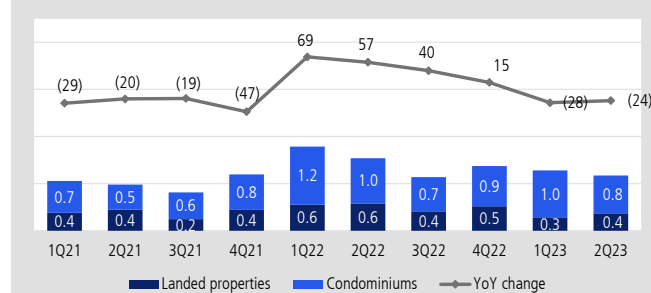
Presales of condominiums and landed properties, Btbn; YoY change of total presales, percent



Source: Company data, KGI Securities Research

**Figure 4: Quarterly transfers**

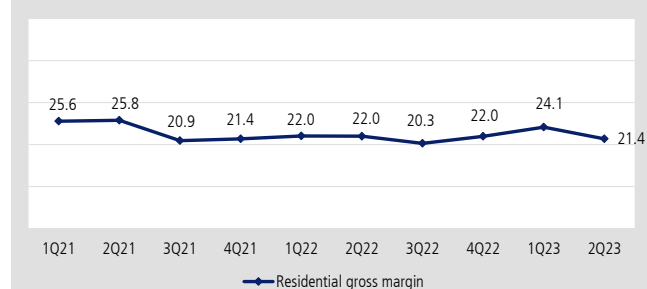
Transfers of condominiums and landed properties, Btbn



Source: Company data, KGI Securities Research

**Figure 5: Residential gross margin**

Percent



Source: Company data, KGI Securities Research

## Quarterly Income Statement

	Mar-20A	Jun-20A	Sep-20A	Dec-20A	Mar-21A	Jun-21A	Sep-21A	Dec-21A	Mar-22A	Jun-22A	Sep-22A	Dec-22A	Mar-23A	Jun-23A
<b>Income Statement (Bt mn)</b>														
Revenue	1,821	1,538	1,354	2,649	1,423	1,361	1,183	1,603	2,205	1,986	4,198	1,887	1,816	1,732
Cost of Goods Sold	(1,245)	(1,067)	(943)	(1,904)	(975)	(930)	(854)	(1,200)	(1,628)	(1,473)	(3,254)	(1,475)	(1,374)	(1,364)
Gross Profit	576	472	411	745	448	431	328	403	577	513	944	412	442	368
Operating Expense	(317)	(270)	(261)	(411)	(250)	(235)	(253)	(322)	(305)	(294)	(589)	(273)	(251)	(247)
Other incomes	28	16	14	21	2	5	2	5	6	2	2	1	4	2
Operating Profit	287	217	164	356	200	201	77	87	278	222	356	140	196	123
Depreciation of fixed asset	(21)	(21)	(24)	(26)	(26)	(27)	(27)	(27)	(26)	(27)	(27)	(28)	0	0
Operating EBITDA	310	242	190	385	228	231	106	117	307	252	387	173	199	128
Non-Operating Income	1	4	1	3	2	3	3	3	3	3	3	5	4	5
Interest Income	1	4	1	3	2	3	3	3	3	3	3	5	4	5
Other Non-op Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Operating Expense	(14)	(31)	(26)	(35)	(47)	(55)	(48)	(45)	(38)	(41)	(58)	(55)	(13)	(10)
Interest Expense	(9)	(30)	(25)	(34)	(46)	(54)	(47)	(44)	(37)	(41)	(58)	(55)	(13)	(10)
Other Non-op Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity Income/(Loss)	(5)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(0)	(0)	(0)	(0)	(0)
Pre-tax profit	279	191	141	324	157	151	33	47	244	184	302	89	187	118
Current Taxation	(57)	(43)	(37)	(80)	(33)	(29)	(8)	(13)	(52)	(37)	(66)	(52)	(41)	(31)
Minorities	(1)	(0)	(0)	0	(0)	(0)	(0)	0	(0)	(0)	(0)	(0)	(0)	(1)
Extraordinary items	1	7	0	0	0	0	3	(0)	1	0	0	(0)	0	1
Net Profit	217	154	103	244	123	121	26	32	191	147	236	38	145	87
Normalized Profit	216	147	103	244	123	121	23	32	191	147	236	38	145	86
EPS (Bt)	0.15	0.10	0.07	0.17	0.08	0.08	0.02	0.02	0.13	0.10	0.16	0.03	0.10	0.06
Normalized EPS (Bt)	0.15	0.10	0.07	0.17	0.08	0.08	0.02	0.02	0.13	0.10	0.16	0.03	0.10	0.06
<b>Margins</b>														
Gross profit margin	31.7	30.7	30.4	28.1	31.5	31.7	27.8	25.1	26.2	25.8	22.5	21.8	24.4	21.2
Operating EBIT margin	15.8	14.1	12.1	13.4	14.1	14.8	6.5	5.4	12.6	11.2	8.5	7.4	10.8	7.1
Operating EBITDA margin	17.0	15.8	14.0	14.5	16.0	17.0	9.0	7.3	13.9	12.7	9.2	9.2	11.0	7.4
Net profit margin	11.9	10.0	7.6	9.2	8.6	8.9	2.2	2.0	8.7	7.4	5.6	2.0	8.0	5.0
<b>Growth (YoY)</b>														
Revenue growth	(34.7)	(8.1)	(3.6)	(35.1)	(21.9)	(11.5)	(12.7)	(39.5)	54.9	45.9	254.9	17.7	(17.6)	(12.8)
Operating EBIT growth	(36.0)	1.6	15.1	(53.8)	(30.3)	(7.3)	(53.3)	(75.6)	38.9	10.2	365.1	61.1	(29.7)	(44.4)
Operating EBITDA growth	(34.3)	2.8	14.8	(51.5)	(26.3)	(4.5)	(43.9)	(69.5)	34.5	8.8	263.7	47.3	(35.1)	(49.0)
Net profit growth	(38.0)	(13.1)	(11.3)	(60.3)	(43.3)	(21.2)	(74.2)	(86.8)	55.7	21.9	791.4	17.2	(24.2)	(40.9)
Normalized profit growth	(38.2)	(12.5)	(11.5)	(60.3)	(43.2)	(17.6)	(77.3)	(86.8)	55.3	21.9	911.6	17.2	(24.0)	(41.5)

Source: Company data, KGI Securities Research



# Muangthai Capital

(MTC.BK/MTC TB)\*

## Neutral · Maintained

Price as of 8 Aug 2023	34.00
12M target price (Bt/shr)	36.00
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	5.9

### Key messages

MTC reported a 2Q23 net profit of Bt1.2bn (+12% QoQ, -13% YoY). The result was 5% above our forecast due to higher-than-expected loan yield and margin. A key risk will be the company's stretched D/E, which reached 3.7% in 2Q23, up from 3.3% in 1Q23 due to aggressively growing loans. As 1H23 earnings made up 48% of our full-year forecast, we maintain our forecast and rate the counter Neutral with a 2023 target price of Bt36.00 (PE 16x).

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## 2Q23 earnings review: Turn to recovery

### Event

MTC reported a 2Q23 net profit of Bt1.2bn (+12% QoQ, -13% YoY). The result was 5% above our forecast due to higher-than-expected loan yield and margin. The earnings recovery QoQ reflected stable credit cost and opex control, while the YoY decline was mainly from higher credit cost. The 1H23 earnings accounted for 48% of our full-year forecast.

### Impact

#### Solid loan growth with better yield and margin

Loans growth of 6% QoQ and 24% YoY and loan yield improving 20bps QoQ helped drive the earnings recovery in 2Q23. Hire-purchase (H/P) motorcycle loans were stable. Meanwhile, funding cost was relatively stable from the previous quarter.

#### Loan growth sped up and D/E overshot

With the company's solid loan growth, its D/E ratio remained tight at 3.7x.

#### NPLs rose at the same pace; credit cost remained high

MTC's gross NPLs rose 12% QoQ with the NPL ratio edging up to 3.4% (vs. 3.2% in 1Q23). The rise was slightly slower than the 14% QoQ rise in 1Q23. The slower pace of NPL inflow may reflect the company's strategy of giving extra incentives to staff to collect delinquent loans before turning into NPL. As such, credit cost remained at 3% in 2Q23, (flat from 1Q23), which is lower than the full-year guidance at 4%.

### Valuation

Cleaning up NPLs from the balance sheet remained the company's key strategy throughout 1H23. To achieve its NPL target at <3.5%, MTC would maintain credit cost at the same level in 3Q23F and is expected to ease credit cost in 4Q23F. A key risk will come from the stretched D/E, which reached 3.7% in 2Q23, up from 3.3% in 1Q23, due to aggressively growing loans. As 1H23 earnings made up 48% of our full-year forecast, we are maintaining our forecast and rate the counter Neutral with a 2023 target price of Bt36.00 (PE 16x).

### Risk

Rising NPLs and provisioning expense.

### Key financial and valuation

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Pre-pro. profit (Bt mn)	6,808	6,949	9,187	11,440	12,616	15,432
Pretax profit (Bt mn)	6,516	6,201	6,360	5,921	6,885	11,458
Net income (Bt mn)	5,214	4,945	5,093	4,737	5,508	9,167
EPS (Bt)	2.46	2.33	2.40	2.23	2.60	4.32
DPS	0.37	0.37	0.95	0.67	0.78	1.30
EPS Growth (%)	23.0	(5.2)	3.0	(7.0)	16.3	66.4
Dividend Yield (%)	0.6	0.7	2.8	2.0	2.3	3.8
P/E (x)	24.4	22.3	14.2	15.2	13.1	7.9
P/BV (x)	6.2	4.4	2.5	2.0	1.7	1.4
ROAA (%)	7.5	5.6	4.5	3.4	3.4	4.7
ROAE (%)	28.4	21.7	18.8	15.3	15.9	23.2

Source: Company data, KGI Securities Research

**Figure 1: MTC's quarterly earnings**

Bt mn	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	% chg		1H22	1H23	% chg
Income Statement (Bt mn)															
Interest income	3,585	3,684	3,844	4,082	4,285	4,617	4,959	5,338	5,397	5,754	6.6	24.6	8,902	11,151	25.3
Interest expense	477	507	557	587	604	663	737	810	848	909	7.2	37.1	1,266	1,756	38.7
Interest income - net	3,108	3,177	3,287	3,495	3,682	3,955	4,222	4,528	4,549	4,845	6.5	22.5	7,636	9,394	23.0
Operating expense	1,502	1,657	1,780	2,023	1,963	1,946	2,008	2,152	2,352	2,463	4.7	26.5	3,909	4,815	23.2
Operating profit	1,607	1,520	1,507	1,473	1,719	2,008	2,214	2,376	2,197	2,382	8.4	18.6	3,727	4,579	22.9
Provisioning expense	166	138	193	231	149	481	994	1,203	1,066	1,200	12.6	149.7	629	2,265	259.9
Other income	272	212	188	151	163	208	226	273	233	287	23.1	38.4	370	521	40.6
Pre-tax profit	1,713	1,594	1,501	1,393	1,732	1,735	1,446	1,446	1,365	1,469	7.7	(15.3)	3,468	2,834	(18.3)
Income tax	360	325	304	268	357	355	312	243	295	269	(8.7)	(24.1)	712	564	(20.7)
Net profit	1,374	1,270	1,201	1,101	1,376	1,381	1,205	1,132	1,070	1,200	12.2	(13.1)	2,756	2,270	(17.6)
EPS (Bt)	0.65	0.60	0.57	0.52	0.65	0.65	0.57	0.53	0.50	0.57	12.2	(13.1)	1.30	1.07	(17.6)
Profitability (%)															
Loan yield	19.8%	19.1%	18.8%	18.6%	18.5%	18.2%	18.2%	18.6%	17.9%	18.0%					
Loan yield + fee	21.3%	20.1%	19.7%	19.2%	19.1%	18.9%	19.0%	19.4%	18.7%	18.8%					
Cost of funds	3.8%	3.7%	3.8%	3.8%	3.6%	3.6%	3.7%	3.9%	3.9%	3.8%					
Loan spread	17.5%	16.4%	15.8%	15.5%	15.5%	15.3%	15.3%	15.6%	14.8%	15.0%					
Cost-to-income ratio	44.4%	48.9%	51.2%	55.5%	51.1%	46.8%	45.1%	44.8%	49.2%	48.0%					
Effective tax rate	20.8%	20.4%	20.2%	19.6%	20.6%	20.4%	20.5%	17.7%	21.6%	18.3%					
ROAA	6.9%	5.9%	5.2%	4.5%	5.2%	4.8%	3.9%	3.5%	3.2%	3.5%					
ROAE	24.9%	22.5%	20.2%	17.7%	21.0%	20.6%	17.2%	15.5%	15.5%	16.3%					
D/E (x)	2.53	2.77	2.87	2.87	2.95	3.21	3.40	3.40	3.34	3.69					

Source: Company data, KGI Securities Research

**Figure 2: Asset quality**

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	% chg QoQ	YoY
Asset quality												
NPL (Bt mn)	708	880	980	1,276	1,630	2,104	2,611	3,507	3,992	4,467	11.9	112.3
NPL ratio (%)	0.98	1.14	1.15	1.39	1.65	1.96	2.28	2.92	3.19	3.37	5.9	72.0
LLR/Loan (%)	1.81	1.84	1.93	2.04	1.83	1.87	2.28	2.88	3.09	3.32	7.5	77.7
Credit cost (bps)	92	71	91	101	69	179	347	392	303	306	0.9	71.1
NPL coverage (%)	185	162	161	144	113	96	102	105	105	105	0.2	9.3
Title loan and P-Loan												
Stage 1	67,861	72,188	76,349	81,837	85,347	91,520	97,301	100,769	105,207	111,632	6.1	22.0
Stage 2	3,736	4,242	4,423	4,578	6,185	8,242	9,250	11,110	11,549	11,988	3.8	45.4
Stage 3	708	880	980	1,187	1,357	1,753	2,213	3,098	3,520	4,002	13.7	128.3
Total	72,304	77,310	81,751	87,602	92,889	101,515	108,765	114,977	120,277	127,622	6.1	25.7
LLR												
Stage 1	(632)	(584)	(657)	(709)	(541)	(484)	(627)	(704)	(803)	(923)	14.8	90.5
Stage 2	(287)	(296)	(338)	(349)	(321)	(345)	(436)	(581)	(746)	(814)	9.2	135.6
Stage 3	(388)	(541)	(583)	(729)	(842)	(1,069)	(1,421)	(2,022)	(2,168)	(2,505)	15.5	134.3
Total	(1,308)	(1,421)	(1,578)	(1,788)	(1,704)	(1,898)	(2,483)	(3,307)	(3,716)	(4,241)	14.1	123.4
% of loan	-1.8%	-1.8%	-1.9%	-2.0%	-1.8%	-1.9%	-2.3%	-2.9%	-3.1%	-3.3%		
H/P loan (motorcycle)												
Stage 1	1,232	2,432	3,118	3,777	4,889	4,745	4,531	4,328	4,162	3,949	(5.1)	(16.8)
Stage 2	9	86	65	345	563	790	893	900	834	812	(2.7)	2.8
Stage 3	1	3	17	89	272	352	398	408.9	471	468	(0.7)	33.1
Total	1,241	2,521	3,200	4,210	5,724	5,887	5,821	5,636	5,467	5,229	(4.4)	(11.2)
LLR												
Stage 1	(6)	(13)	(15)	(20)	n.a.	(33)	(42)	(63)	(73)	(67)	(8.1)	105.1
Stage 2	(0)	(2)	(2)	(11)	n.a.	(32)	(50)	(101)	(128)	(127)	(1.2)	294.6
Stage 3	(0)	(0)	(3)	(13)	n.a.	(62)	(96)	(215)	(274)	(265)	(3.3)	325.0
Total	(6)	(16)	(20)	(44)	(135.6)	(127.0)	(187.7)	(378.8)	(474.9)	(459)	(3.5)	261.0

Source: Company data, KGI Securities Research



ALERT

Thailand

# Quality Houses

(QH.BK/QH TB)\*

## Neutral · Maintained

Price as of 8 Aug 2023	2.26
12M target price (Bt/shr)	2.45
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	8.40

### Key messages

QH reported better than expected 2Q23 earnings of Bt669mn (+30% YoY, +13% QoQ), which was 29% above our forecast and 14% above the Bloomberg consensus. The company's 1H23 earnings came in at Bt1.26bn (+15% YoY) thanks to a strong recovery in condo sales and income from hotels post Covid-19. We maintain our Neutral rating on the counter with a target price of Bt2.45. The company's analyst meeting for 2Q23/1H23 results will be held August 10.

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## 2Q23 earnings review: Beat expectations

### Event

2Q23 earnings review.

### Impact

#### 2Q23 earnings grew 30% YoY and 13% QoQ

QH reported stronger than expected earnings of Bt669mn (+30% YoY, +13% QoQ). The result was 29% above our forecast of Bt520mn and 14% above the Bloomberg consensus of Bt587mn. Despite weak presales of Bt1.9bn (-9% QoQ), residential revenue rose 33% QoQ to Bt2.1bn mainly from a surge in condominium sales to Bt391mn (+190% QoQ) while landed property sales grew a modest 19% QoQ. Income from hotels/offices dipped 22% QoQ compared to the high season in 1Q23. Gross margins slipped around 2ppts to 35% due to a higher proportion of revenue from low-margin condo sales. The SG&A expense to sales ratio surprisingly declined to 20.7%, from 25% in 1Q23, given a lack of new launches. Share of income slipped slightly by 3% QoQ to Bt438mn.

#### 1H23 earnings rose 15% YoY

Given the stronger than expected 2Q23 results, QH's 1H23 earnings grew 15% YoY to Bt1.26bn or 51% of our full year estimates. Total residential transfers of Bt3.7bn decreased slightly by 4% mainly from a 10% contraction in landed property sales (86% of total) while condo sales jumped 53%. Rental/service income from hotels and office space from rents accelerated 54% YoY to Bt617mn after the country's re-opening post Covid-19. Gross margins were flat at 34% while the SG&A expense to sales ratio was well-controlled at 23%. Share of income rose 17% YoY to Bt891mn mainly from a pickup in the earnings of its associates engaged in retail, financial services and hospitality business. Note that 1H23 presales/transfers of Bt3.9bn (-4.8%)/Bt3.7bn (-4.5%) accounted for 44%/41% of its full year forecast.

### Valuation & Action

For the time being, we maintain our Neutral rating with a target price of Bt2.45, based on SOTP (core business Bt0.60 pegged to 9.6x PE (-0.5SD), and investment business Bt1.85). The company's analyst meeting for 2Q23/1H23 results will be held August 10.

### Risks

Weakening economic conditions, strict lending measures and possible policy reforms.

### Key financials and valuations

	Dec - 20A	Dec - 21A	Dec - 22A	Dec - 23F	Dec - 24F
Revenue (Btmn)	9,138	8,120	9,226	9,380	9,648
Gross Profit (Btmn)	2,820	2,418	3,129	3,182	3,254
SG&A (Btmn)	1,790	1,816	1,994	2,204	2,316
Net Profit (Btmn)	2,123	1,670	2,396	2,467	2,639
Normalized Profit (Btmn)	2,123	1,670	2,396	2,467	2,639
EPS (Bt)	0.20	0.16	0.22	0.23	0.25
Normalized EPS (Bt)	0.20	0.16	0.22	0.23	0.25
DPS (Bt)	0.12	0.10	0.14	0.14	0.15
EPS Growth (%)	(25.6)	(21.4)	43.5	3.0	6.9
Normalized EPS Growth	(25.6)	(21.4)	43.5	3.0	6.9
P/E (X)	11.7	14.5	10.3	9.8	9.2
P/B (X)	0.9	0.9	0.9	0.8	0.8
EV/EBITDA (X)	23.7	29.8	20.1	22.9	23.3
Net Debt to Equity (%)	54.7	44.2	35.5	41.1	48.1
Dividend Yield (%)	5.2	4.4	6.1	6.3	6.8
Return on Average Equity (%)	8.0	6.2	8.6	8.5	8.7

Source: Company data, KGI Securities Research

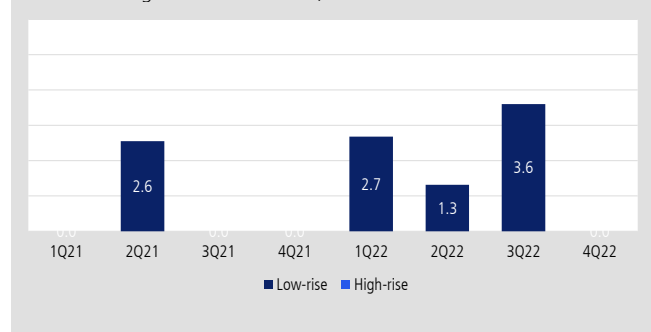
**Figure 1: QH's 2Q23 earnings review**

Bt mn	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)	1H23	1H22	YoY (%)
Revenue	2,424	2,195	10.4	1,903	27.3	4,327	4,285	1.0
Revenue from sales of real estate	2,120	1,970	7.6	1,590	33.3	3,711	3,885	(4.5)
Revenue from rental and services	304	225	35.1	313	(3.0)	617	401	53.9
Gross Profit	803	754	6.6	666	20.6	1,469	1,473	(0.3)
SG&A	501	531	(5.7)	482	3.8	983	981	0.2
Operating EBIT	381	288	32.3	246	54.8	626	608	3.0
Equity Income/(Loss)	438	363	20.7	452	(3.1)	891	763	16.8
<b>Net Profit</b>	<b>669</b>	<b>515</b>	<b>29.9</b>	<b>592</b>	<b>13.0</b>	<b>1,262</b>	<b>1,100</b>	<b>14.7</b>
<b>Normalized profit</b>	<b>669</b>	<b>515</b>	<b>29.9</b>	<b>592</b>	<b>13.0</b>	<b>1,262</b>	<b>1,100</b>	<b>14.7</b>
Percent	2Q23	2Q22	YoY (ppts)	1Q23	QoQ (ppts)	1H23	1H22	YoY (ppts)
Gross margin	33.1	34.3	(1.2)	35.0	(1.9)	34.0	34.4	(0.4)
EBIT margin	15.7	13.1	2.6	12.9	2.8	14.5	14.2	0.3
SG&A/sales	20.7	24.2	(3.5)	25.3	(4.7)	22.7	22.9	(0.2)
Revenue breakdown by segments	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)	1H23	1H22	YoY (%)
Low-rise	1,729	1,689	2.4	1,456	18.8	3,185	3,540	(10.0)
High-rise	391	281	39.2	135	189.8	526	345	52.5

Source: Company data, KGI Securities Research

**Figure 2: Quarterly launches**

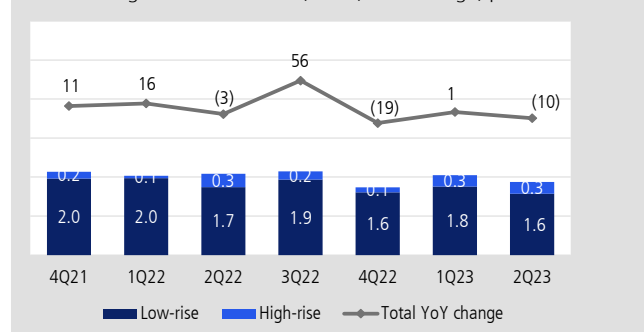
Launches of high-rise and low-rise, Btbn



Source: Company data, KGI Securities Research

**Figure 3: Quarterly presales**

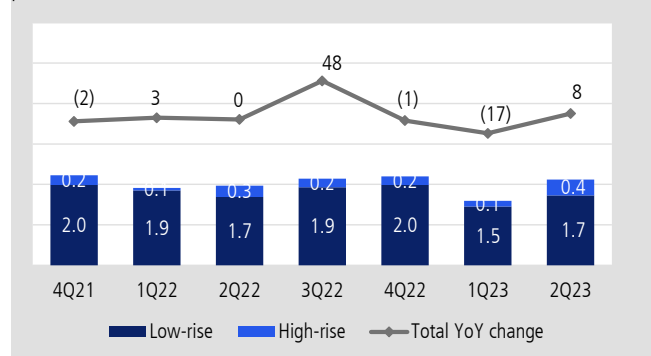
Presales of high-rise and low-rise, Btbn; YoY change, percent



Source: Company data, KGI Securities Research

**Figure 4: Quarterly transfers**

Transfer of high-rise and low-rise, Btbn; YoY change in total launches, percent



Source: Company data, KGI Securities Research

**Figure 5: Share of income breakdown**

	% Holding	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)
HMPRO	20	322	302	7	320	0
LHFG	14	73	32	128	92	(21)
QHPF	26	33	29	14	28	(9)
QHHR	31	10	-	Na	10	0
<b>Total</b>		<b>438</b>	<b>363</b>	<b>21</b>	<b>452</b>	<b>(3)</b>

Source: Company data, KGI Securities Research

## Quarterly Income Statement

	Mar-20A	Jun-20A	Sep-20A	Dec-20A	Mar-21A	Jun-21A	Sep-21A	Dec-21A	Mar-22A	Jun-22A	Sep-22A	Dec-22A	Mar-23A	Jun-23A
<b>Income Statement (Bt mn)</b>														
Revenue	1,890	2,336	2,490	2,422	2,032	2,106	1,588	2,394	2,091	2,195	2,417	2,524	1,903	2,424
Cost of Goods Sold	(1,251)	(1,636)	(1,765)	(1,665)	(1,452)	(1,477)	(1,127)	(1,647)	(1,371)	(1,441)	(1,624)	(1,661)	(1,237)	(1,621)
Gross Profit	638	699	725	758	580	629	461	748	719	754	793	862	666	803
Operating Expense	(473)	(449)	(456)	(412)	(466)	(447)	(428)	(475)	(450)	(531)	(476)	(538)	(482)	(501)
Other incomes	59	52	60	59	63	58	57	52	51	63	58	47	62	76
Operating Profit	224	302	329	404	176	241	90	325	320	286	376	371	246	379
Depreciation of fixed asset	(98)	(98)	(98)	(97)	(95)	(95)	(93)	(92)	(90)	(91)	(91)	(90)	(84)	(85)
Operating EBITDA	323	404	427	505	271	338	184	420	411	378	467	463	330	466
Non-Operating Income	0	4	1	4	0	2	0	3	1	2	0	2	0	2
Interest Income	0	4	1	4	0	2	0	3	1	2	0	2	0	2
Other Non-op Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Operating Expense	331	209	312	287	303	300	203	246	328	301	344	353	392	376
Interest Expense	(100)	(102)	(98)	(93)	(84)	(82)	(84)	(80)	(71)	(62)	(62)	(64)	(61)	(63)
Other Non-op Expense														
Equity Income/(Loss)	431	311	409	379	387	381	288	326	399	363	407	417	452	438
Pre-tax profit	125	205	231	316	92	161	6	248	250	225	314	309	185	318
Current Taxation	(45)	(58)	(66)	(115)	(48)	(61)	(31)	(81)	(64)	(73)	(80)	(70)	(45)	(87)
Minorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Profit	511	458	575	580	431	482	263	494	585	515	640	655	592	669
Normalized Profit	511	458	575	580	431	482	263	494	585	515	640	655	592	669
EPS (Bt)	0.24	0.21	0.27	0.27	0.20	0.22	0.12	0.23	0.27	0.24	0.30	0.31	0.28	0.31
Normalized EPS (Bt)	0.24	0.21	0.27	0.27	0.20	0.22	0.12	0.23	0.27	0.24	0.30	0.31	0.28	0.31
<b>Margins</b>														
Gross profit margin	33.8	29.9	29.1	31.3	28.5	29.9	29.0	31.2	34.4	34.3	32.8	34.2	35.0	33.1
Operating EBIT margin	11.9	12.9	13.2	16.7	8.7	11.4	5.7	13.6	15.3	13.0	15.5	14.7	12.9	15.6
Operating EBITDA margin	17.1	17.3	17.1	20.9	13.3	16.0	11.6	17.6	19.6	17.2	19.3	18.4	17.3	19.2
Net profit margin	27.0	19.6	23.1	23.9	21.2	22.9	16.6	20.6	28.0	23.5	26.5	26.0	31.1	27.6
<b>Growth (YoY)</b>														
Revenue growth	(45.0)	1.1	(5.5)	5.3	7.5	(9.8)	(36.2)	(1.2)	2.9	4.2	52.2	5.4	(9.0)	10.4
Operating EBIT growth	(63.9)	19.0	(20.5)	35.1	(21.4)	(20.4)	(72.5)	(19.7)	81.4	18.7	315.4	14.4	(23.2)	32.4
Operating EBITDA growth	(52.6)	23.2	(8.8)	38.2	(16.1)	(16.4)	(56.9)	(16.8)	51.6	12.0	154.2	10.2	(19.7)	23.1
Net profit growth	(41.2)	(22.8)	(19.8)	(14.1)	(15.6)	5.3	(54.3)	(14.8)	35.7	7.0	143.4	32.7	1.3	29.9
Normalized profit growth	(41.2)	(22.8)	(19.8)	(14.1)	(15.6)	5.3	(54.3)	(14.8)	35.7	7.0	143.4	32.7	1.3	29.9

Source: Company data, KGI Securities Research





# Siam City Cement

(SCCC.BK/SCCC TB)

## Outperform • Maintained

Price as of 8 Aug 2023	137.00
12M target price (Bt/shr)	182.00
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	32.8

### Key messages

SCCC's 2Q23 net profit of Bt656mn (-14% QoQ, -52% YoY) missed our forecast by 9% on higher taxes. Meanwhile, core profit came in at Bt420mn (-20% QoQ, -76% YoY). We still project SCCC's 2H23F margin to continue to improve HoH led by cost downturn, resulting in stronger profit both QoQ and YoY. Our Outperform rating stands with a target price of Bt182.00.

## 2Q23 earnings review: Seasonal weakness

### Event

2Q23 earnings result and our views.

### Impact

#### 2Q23 earnings review – Low season vs. cost downturn

SCCC's 2Q23 result aligned with our expectations. The company reported a 2Q23 net profit of Bt656mn (-14% QoQ, -52% YoY) missing our forecast by 9% on higher taxes. Stripping out FX gains from appreciation of US\$/LKR, core profit came in at Bt420mn (-20% QoQ, -76% YoY). The company's 1H23 core profit was Bt943mn (-71% YoY), accounting for 27% of our full-year forecast, derailed by a not-yet full recovery and elevated energy costs.

#### Margin was flat amidst low season

Despite SCCC's revenue dropping 3% QoQ during the low season, EBITDA was at Bt1.92bn (-2% QoQ, -33% YoY) with a higher EBITDA margin of 17.5% (vs. 17.2% in 1Q23 and 22.5% in 2Q22), due to benefits from declining cost realization (elevated coal, material, and freight costs) with sustained selling prices. The drop QoQ was mainly from seasonally lower demand from the cement business (~75-80% of EBITDA), mostly seen in Thailand and Sri Lanka. Still other business units saw stronger EBITDA with higher margin from some selling price hikes. The decline YoY was still owing to cost pressure in tandem with yet-to-normalize demand from poor purchasing power and sentiment.

### Our takes

Despite seeing some downside, we have not made changes to our 2023-24F earnings forecasts, pending a clearer outlook for the cement business. We still project SCCC's 2H23F margin to continue to improve HoH led by cost downturn, resulting in stronger profit both QoQ and YoY. On top of ongoing adjustment in the selling price, SCCC has implemented the usage of alternative fuels and cost reduction initiatives.

### Valuation

Our Outperform rating stands with a 2023 target price of Bt182.00, pegged at 15x PE (10-year historical mean). Its share price has fallen 11% YTD (especially after 2022's dividend payment) – trading near -2SD from its historical PBV – in contrast to the continued improvement in earnings at a gradual pace.

### Risk

Volatility in material and energy costs, economic growth, and country risks.

**Figure 1: SCCC's 2Q23 earnings review**

Bt mn	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)	1H23	1H22	YoY (%)	Comments (1H23 vs 1H22)
Revenue	10,975	12,758	(14.0)	11,353	(3.3)	22,328	25,334	(11.9)	(-) lower sales volumes, moderated by price adjustment from economic recovery, led by Thailand and Vietnam
Gross Profit	2,659	4,132	(35.6)	2,510	6.0	5,169	8,077	(36.0)	
SG&A	2,249	2,473	(9.1)	2,126	5.8	4,375	4,911	(10.9)	(-) lower operating costs
Operating Profit	1,070	1,959	(45.4)	1,105	(3.2)	2,176	3,169	(31.3)	
Operating EBITDA	1,919	2,877	(33.3)	1,958	(2.0)	3,877	5,008	(22.6)	
Equity Income/(Loss)	377	600	(37.2)	435	(13.4)	812	962	(15.6)	
Finance costs	348	244	42.9	314	10.8	663	493	34.5	
Extraordinary items	235	(415)	N.A.	236	(0.3)	471	(1,124)	142	(+) Unrelied and relased Fx gains from appreciation of US\$/LKR in business at Sri Lanka
<b>Net Profit</b>	<b>656</b>	<b>1,355</b>	<b>(51.6)</b>	<b>758</b>	<b>(13.5)</b>	<b>1,414</b>	<b>2,157</b>	<b>(34.4)</b>	
<b>Normalized profit</b>	<b>420</b>	<b>1,770</b>	<b>(76.2)</b>	<b>522</b>	<b>(19.5)</b>	<b>943</b>	<b>3,281</b>	<b>(71.3)</b>	
EPS (Bt)	2.20	4.55	(51.6)	2.54	(13.5)	4.75	7.24	(34.4)	
Normalized EPS (Bt)	1.41	5.94	(76.2)	1.75	(19.5)	3.16	11.01	(71.3)	
Percent	2Q23	2Q22	YoY (ppts)	1Q23	QoQ (ppts)	1H23	1H22	YoY (ppts)	
Gross margin	24.2	32.4	(8.2)	22.1	2.1	23.2	31.9	(8.7)	(-) cost upturn (energy prices and freight rate) with tepid price adjustment
EBITDA margin	17.5	22.5	(5.1)	17.2	0.2	9.7	12.5	(2.8)	
SG&A/sales	20.5	19.4	1.1	18.7	1.8	19.6	19.4	0.2	

Source: Company data, KGI Securities Research



# Star Petroleum Refining

(SPRC.BK/SPRC TB)\*

## Outperform • Maintained

Price as of 8 Aug 2023	8.85
12M target price (Bt/shr)	10.00
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	13.0

### Key messages

SPRC reported a 2Q23 net loss of Bt2.1bn, plunging from net profits of Bt7.2bn in 2Q22 and Bt1.2bn in 1Q23. The result was 69% below the Bloomberg consensus, but in line with our forecast. The drop YoY and QoQ was from a significantly lower market GRM of US\$1.3/bbl for the quarter, down 93% YoY and 79% QoQ, pressured by i) lower gasoline, jet oil, and diesel spreads, and ii) extra cost from ship-to-ship crude delivery. Despite the poor performance, we estimate SPRC's earnings to recover materially QoQ in 3Q23 thanks to wider gasoline, jet oil, and diesel spreads of US\$18.5/bbl, US\$22.7/bbl, and US\$26.0/bbl QTD, respectively. We reiterate a rating of Outperform with a 2023F target price of Bt10.00, based on 5.5x EV/EBITDA.

## 2Q23 earnings review: In line with our forecast

### Event

SPRC reported a 2Q23 net loss of Bt2.1bn, plunging from net profits of Bt7.2bn in 2Q22 and Bt1.2bn in 1Q23. The result was 69% below the Bloomberg consensus, but in line with our forecast. The company did not announce an interim dividend for the 1H23 performance. We maintain our earnings projection of Bt4.2bn in 2023F.

### Impact

#### Reported net loss in 2Q23

Earnings plunged YoY and QoQ due to a significantly lower market GRM of US\$1.3/bbl, down 93% YoY and 79% QoQ, pressured by i) lower gasoline, jet oil, and diesel spreads and ii) extra cost from ship-to-ship crude delivery.

### Key highlights

- iv) Market GRM plummeted 79% QoQ to US\$1.3/bbl because of weaker gasoline, jet oil, and diesel spreads of US\$16.6/bbl, US\$14.0/bbl, and US\$14.6/bbl, respectively, as well as extra cost from ship-to-ship crude delivery of approximately US\$1.5/bbl.
- v) Crude run softened 2% QoQ to 159KBD, accounting for a refinery utilization rate of 91%, given its optimal crude run amid very low refinery margin in April.
- vi) The company booked a bigger stock loss of Bt1.4bn, worsening QoQ from a stock gain of Bt267mn in 1Q23 as Dubai crude price fell from US\$78.5/bbl in March to US\$75.0/bbl in June.

### Valuation

We reiterate a rating of Outperform on SPRC with a 2023F target price of Bt10.00, based on 5.5x EV/EBITDA. Despite the poor performance in 2Q23, we estimate SPRC's earnings to recover materially QoQ in 3Q23 thanks to wider gasoline, jet oil, and diesel spreads of US\$18.5/bbl, US\$22.7/bbl, and US\$26.0/bbl QTD, respectively. We also maintain our positive view on refinery from 3Q23 onward.

### Risk

Volatility in crude price and GRM as well as a delay of starting up the offshore SPM.

**Figure 1: SPRC's 2Q23 earnings review**

Bt mn	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)	1H23	1H22	YoY (%)	Comments
Revenue	53,883	78,008	(30.9)	59,130	(8.9)	113,013	143,412	(21.2)	Dubai crude price softened 3% QoQ to US\$78/bbl in 2Q23.
Cost of goods sold	(55,989)	(68,069)	(17.7)	(57,108)	(2.0)	(113,096)	(125,402)	(9.8)	
Gross profit	(2,106)	9,939	N.A.	2,022	N.A.	(84)	18,010	N.A.	Lower market GRM of US\$1.3/bbl, down 79% QoQ in 2Q23
Operating expenses	(300)	(318)	(5.6)	(425)	(29.4)	(726)	(2,001)	(63.7)	
Other incomes	15	14	6.3	38	(61.4)	53	30	79.3	
Operating profit	(2,391)	9,635	N.A.	1,635	N.A.	(756)	16,039	N.A.	
Interest expense	(106)	(58)	83.8	(94)	13.4	(200)	(98)	103.1	
Other non-op expenses	499	(337)	N.A.	1	N.A.	-	(565)	N.A.	
Current taxation	526	(1,782)	N.A.	(305)	N.A.	222	(3,103)	N.A.	
Extraordinary items	(633)	(302)	109.4	(19)	3,229.2	(652)	167	N.A.	
Net profit	(2,105)	7,156	N.A.	1,219	N.A.	(886)	12,440	N.A.	69% below the Bloomberg consensus, but in line with our forecast in 2Q23
EPS (Bt)	(0.49)	1.65	N.A.	0.28	N.A.	(0.20)	2.87	N.A.	
Percent	2Q23	2Q22	YoY (ppts)	1Q23	QoQ (ppts)	1H23	1H22	YoY (ppts)	
Gross profit margin	(3.9)	12.7	(16.6)	3.4	(7.3)	(0.1)	12.6	(12.6)	
SG&A/sales	0.6	0.4	0.1	0.7	(0.2)	0.6	1.4	(0.8)	

Source: Company data, KGI Securities Research

**Figure 2: Key assumptions for 2Q23 earnings**

	2Q23	2Q22	YoY (%)	1Q23	QoQ (%)
<b>Refinery</b>					
Dubai crude (US\$/bbl)	78	108	(28.0)	80	(3.2)
Market GRM (US\$/bbl)	1.3	18.9	(92.9)	6.4	(78.9)
Net stock gain/(loss) (Bt mn)	(1,392)	1,958	N.A.	267	N.A.
Crude run (KBD)	159	156	1.9	162	(2.0)

Source: Company data, KGI Securities Research

**Figure 3: Key assumptions for SPRC**

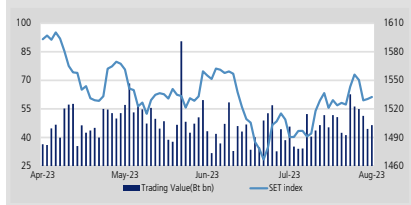
	2020	2021	2022	2023F	2024F
<b>Benchmark</b>					
Dubai crude (US\$/bbl)	42	69	96	85	70
Gasoline spread (US\$/bbl)	4.5	11.1	18.8	15.0	13.0
Jet oil spread (US\$/bbl)	2.5	5.8	30.3	18.0	16.0
Diesel spread (US\$/bbl)	6.2	6.7	34.3	19.0	16.0
HSFO spread (US\$/bbl)	(3.0)	(4.9)	(14.1)	(15.0)	(10.0)
Murban crude premium (US\$/bbl)	(0.4)	1.8	7.2	3.5	3.0
<b>Refinery</b>					
Market GRM (US\$/bbl)	2.8	3.7	9.6	5.9	7.3
Crude run (KBD)	143	135	156	160	170

Source: Company data, KGI Securities Research

# SET could have some rebound on Wednesday

## SET performance

Daily trading volume, Bt bn (LHS); SET (RHS)



Source: SET

## Market turnover Bt41bn

Bt bn	Buy	%	Sell	%
Retail	12.7	34.4	9.0	24.3
Foreign	21.5	58.5	24.9	67.0
Institutional	2.6	7.1	3.2	8.7

## Most active sectors

	Bt bn	Chng (%)	% of total
Energy	7.1	-0.9	17.4
Bank	6.9	-0.4	16.7
Comm	4.9	-1.2	12.0
Ict	3.1	-1.7	7.6
Helth	2.2	-0.5	5.5

## Most active stocks

	Close (Bt)	Chng (%)	Bt bn
CPALL	59	-1.7	2.2
KBANK	123	-	2.2
PTTEP	161	-1.2	1.8
KTB	20	-1.0	1.4
PTT	34.75	-	1.4

## Daily NVDR report

### Increase

Stock	7-Aug-23 mn shares	8-Aug-23 mn shares	Value Bt mn
BBL	456.4	457.2	136.7
KBANK	289.9	290.4	63.3
IRPC	1,085.2	1,101.3	37.9
GPSC	77.9	78.4	31.1
AP	475.2	477.6	29.9
AWC	1,425.7	1,431.1	23.1
CRC	254.6	255.2	22.8
CBG	30.0	30.3	21.8
HANA	57.9	58.3	21.3
AEONTS	17.8	17.9	20.0

### Decrease

Stock	7-Aug-23 mn shares	8-Aug-23 mn shares	Value Bt mn
CPALL	1,038.8	1,033.9	-288.1
AOT	690.2	687.5	-191.8
DELTA	381.4	380.5	-101.3
HMPRO	927.9	921.4	-85.8
BH	122.3	122.0	-75.1
BOMS	2,023.8	2,021.8	-57.9
IVL	479.9	478.1	-57.5
LH	2,063.4	2,056.5	-57.3
BTS	1,430.3	1,422.8	-54.1
EA	366.7	365.7	-54.0

## Trader Comments

Rakpong Chaisuparakul (66.2658.8888 Ext. 8845)

Following a weaker-than-expected session yesterday, when significant weakness in the Thai baht and China's disappointing exports data triggered foreign equity outflows, the SET Index could have some rebound on Wednesday, though overall market sentiment could stay cautious. We see any short-term bounce as being limited. US stock markets also pulled back overnight, after Moody's downgraded the credit rating of ten regional banks, amidst rising industry stress, and put the rating of six major banks on the negative watch. Of note, the market expectation on US interest rate outlook was also mixed, after speeches by two Fed presidents last evening, Patrick Harker and Thomas Barkin, shared differing views on the monetary policy outlook. Also, the Thai baht remains on the weak side, which could be pressuring foreign investment flows in the near-term. On the domestic side, local press reported Puea Thai (PT) would today unveil more political parties to form the coalition government.

## Quick Bullets

Thai Research Team (66.2658.8888 Ext. 8859)

**Thailand's exports are expected to record between a 0.5% drop and a 1% rise this year, unchanged from a previous forecast**, the Thai National Shippers' Council said on Tuesday. Slowing global production has affected demand for exporters, council chairman Chaichan Chareonsuk told a briefing. However, exports should be helped by shipments of some agricultural products and automobiles in the remaining five months, he said. As well, India's ban on a large portion of its rice exports should offer Thailand, the world's second-largest rice exporter, a good opportunity to sell rice at higher prices, said vice-chairman Suparp Suwanpimolkul. (Bangkok Post)

**Prospects for Thailand's gems and jewellery exports remain promising this year**, boosted by several positive factors including an upswing in prices of silver jewellery and robust demand for solid gemstones like rubies and sapphires. Gemstone transactions have surged, attributed to the restoration of international travel to pre-Covid-19 levels and renewed consumer confidence following an extended period of reduced shopping activity during the pandemic. (Bangkok Post)

**Motorcycle manufacturers are expected to invest more in Thailand post-pandemic** because of the growing food delivery business and tourism recovery, as well as the state's electric vehicle (EV) policy, says the Office of Industrial Economics (OIE). Last year, the cabinet approved a package of incentives including tax cuts and subsidies to promote EV consumption and production between 2022 and 2023. (Bangkok Post)

**Credit card spending in Thailand during the second quarter of this year increased by more than 20%** and is expected to continue throughout the year, with an increase of no less than 20% for the whole of 2023. According to Thakorn Piyapan, President of TMBThanachart Bank, credit card spending in the first half of the year reached Bt175bn, a 13% increase, leading the bank to remain confident about achieving its target of Bt350bn in spending and new credit lines of Bt97bn. (The Nation)

**PTT Exploration and Production Plc (PTTEP.BK/PTTEP TB)\* expects its total sales to slip 0.85% to 464 kilo barrels of oil equivalent per day (KBOED) in 2023**, following a dip in the first half of the year, says senior vice-president Orachon Ouyiamapun. Sales volume stood at 468 KBOED last year. From January to June, sales from the Block 61 gas field in Oman decreased. Sales from the Bongkot gas field in the Gulf of Thailand also fell, due mainly to a change in the calculation of the sales volume under a production sharing contract, said Ms Orachon. (Bangkok Post)

## Price Analysis



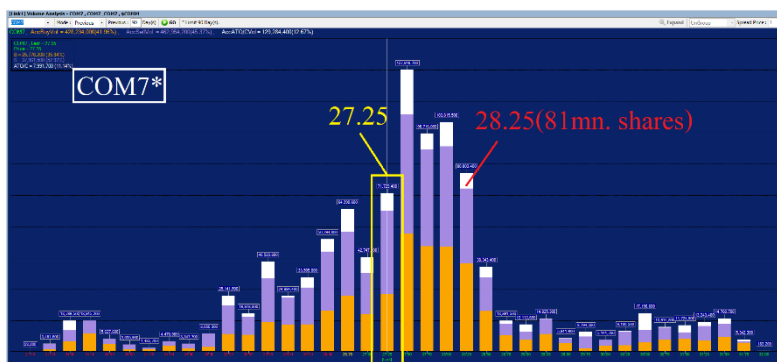
### COM7\*

<b>Support</b>	26.00-27.00
<b>Resistance</b>	28.25 / 29.00
<b>Stop Loss</b>	26.00

### COM7\* (Daily)

Rebounded from uptrend channel support. In addition, there is a positive signal from modified stochastic as the K% line crossed over from oversold territory. Recommend short-term speculation for an expected swing up.

## Volume Analysis



At the closing price of 27.25, it is recommended to speculative buy as the price is nearly passing the resistance at 28.25 with trading volume of about 81mn shares, after which the volume resistance is reduced to about 14mn shares per bar. Considering that the volume resistance has decreased by more than 83%, it is expected that the price will continue to rise easily.

## Investment Strategy

### Recommendation

Buy when price weakens to support at Bt26.00-Bt27.00. Expected to swing up with short-term resistance at Bt28.25 or Bt29.00, respectively. Stop loss when the price is lower than Bt26.00.

## Price Analysis



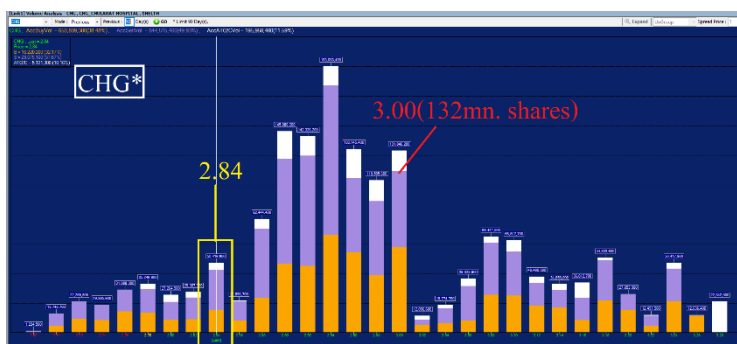
### CHG\*

<b>Support</b>	2.74-2.80
<b>Resistance</b>	2.90 / 3.00
<b>Stop Loss</b>	2.70

### CHG\* (Daily)

Rebounded from downtrend channel support with high volume trading. In addition, there is a positive signal from RSI bullish divergence. Recommend short-term speculation for an expected swing up.

## Volume Analysis




At the closing price of 2.84, it is recommended to speculative buy as the price is nearly passing the resistance at 3.00 with trading volume of about 132mn shares, after which the volume resistance is reduced to about 40mn shares per bar. Considering that the volume resistance has decreased by more than 70%, it is expected that the price will continue to rise easily.

## Investment Strategy


### Recommendation

Buy when price weakens to support at Bt2.74-Bt2.80. Expected to swing up with short-term resistance at Bt2.90 or Bt3.00, respectively. Stop loss when price is lower than Bt2.70.


# Corporate Governance Report of Thai Listed Companies

 <b>Companies with Excellent CG Scoring</b>					
Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	EGCO	ELECTRICITY GENERATING	PTTEP	PTT EXPLORATION AND PRODUCTION
ADVANC	ADVANCED INFO SERVICE	GFPT	GFPT	PTTGC	PTT GLOBAL CHEMICAL
AMA	AMA MARINE	GGC	GLOBAL GREEN CHEMICALS	PYLON	PYLON
AMATA	AMATA CORPORATION	GPSC	GLOBAL POWER SYNERGY	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	HANA	HANA MICROELECTRONICS	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
AOT	AIRPORTS OF THAILAND	HMPRO	HOME PRODUCT CENTER	RS	RS
AP	ASIAN PROPERTY DEVELOPMENT	INTUCH	SHIN CORPORATION	SCB	THE SIAM COMMERCIAL BANK
BANPU	BANPU	IRPC	IRPC	SCC	THE SIAM CEMENT
BCP	THE BANGCHAK PETROLEUM	IVL	INDORAMA VENTURES	SCCC	SIAM CITY CEMENT
BCPG	BCPG	KBANK	KASIKORN BANK	SEAFCO	SEAFCO
BDMS	BANGKOK DUSIT MEDICAL SERVICES	KCE	KCE ELECTRONICS	SMPC	SAHAMITR PRESSURE CONTAINER
BEC	BEC WORLD	KKP	KIATNAKIN BANK	SPALI	SUPALAI
BEM	BANGKOK EXPRESSWAY AND METRO	KTG	KRUNG THAI BANK	SPRC	STAR PETROLEUM REFINING
BGRIM	B. GRIMM POWER	KTC	KRUNGTHAI CARD	SVI	SVI
BPP	BANPU POWER	LH	LAND AND HOUSES	TACC	T.A.C. CONSUMER
BTS	BTS GROUP HOLDINGS	LPN	L.P.N. DEVELOPMENT	TCAP	THANACHART CAPITAL
CENTEL	CENTRAL PLAZA HOTEL	MAKRO	SIAM MAKRO	THCOM	THAICOM
CK	CH. KARNCHANG	MBK	MBK	TISCO	TISCO FINANCIAL GROUP
CKP	CK POWER	MINT	MINOR INTERNATIONAL	TOP	THAI OIL
CPALL	CP ALL	MTC	MUANGTHAI CAPITAL	TRUE	TRUE CORPORATION
CPF	CHAROEN POKPHAND FOODS	PLANB	PLAN B MEDIA	TTB	TMBTHANACHART BANK
CPN	CENTRAL PATTANA	PSH	PRUKSA HOLDING	VGI	VGI GLOBAL MEDIA
DELTA	DELTA ELECTRONICS (THAILAND)	PTG	PTG ENERGY	WHA	WHA CORPORATION
DTAC	TOTAL ACCESS COMMUNICATION	PTT	PTT	WHAUP	

 <b>Companies with Very Good CG Scoring</b>					
Stock	Company name	Stock	Company name	Stock	Company name
BAM	BANGKOK COMMERCIAL ASSET MANAGEMENT	GULF	GULF ENERGY DEVELOPMENT	SAPPE	SAPPE
BBL	BANGKOK BANK	JMT	JMT NETWORK SERVICES	SAWAD	SRI SAWAD POWER 1979
CBG	CARABAO GROUP	LPH	LADPRAO GENERAL HOSPITAL	SINGER	SINGER THAILAND
CHG	CHULARAT HOSPITAL	M	MK RESTAURANT GROUP	SPA	SIAM WELLNESS GROUP
COM7	COM7	MAJOR	MAJOR CINEPLEX GROUP	TFG	THAIFOODS GROUP
DOHOME	DOHOME	MEGA	MEGA LIFESCIENCES	TKN	TAOKAENOI FOOD & MARKETING
ERW	THE ERAWAN GROUP	NETBAY	NETBAY	ZEN	ZEN CORPORATION GROUP
GLOBAL	SIAM GLOBAL HOUSE	OSP	OSOTSPA		

 <b>Companies with Good CG Scoring</b>					
Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	ESSO	ESSO (THAILAND)	SF	SIAM FUTURE DEVELOPMENT
BH	BUMRUNGRAD HOSPITAL	HUMANICA	HUMANICA	SISB	SISB
EKH	EKACHAI MEDICAL CARE	RBF	R&B FOOD SUPPLY	TPCH	TPC POWER HOLDING

<b>Companies classified Not in the three highest score groups</b>					
Stock	Company name	Stock	Company name	Stock	Company name
IIG	I&I GROUP	OR	PTT OIL AND RETAIL BUSINESS	STGT	SRI TRANG GLOVES (THAILAND)
KEX	KERRY EXPRESS (THAILAND)	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION		

Source: www.thai-iod.com

**Disclaimer:** The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of such survey result.



# Anti-corruption Progress Indicator

## Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	GLOBAL	SIAM GLOBAL HOUSE	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	GPSC	GLOBAL POWER SYNERGY	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BBL	BANGKOK BANK	HMPRO	HOME PRODUCT CENTER	ROBINS	ROBINSON DEPARTMENT STORE
BCH	BANGKOK CHAIN HOSPITAL	IRPC	IRPC	SCC	THE SIAM CEMENT
BDMS	BANGKOK DUSIT MEDICAL SERVICES	KBANK	KASIKORN BANK	SIRI	SANSIRI
BIGC	BIG C SUPERCENTER	KCE	KCE ELECTRONICS	SPALI	SUPALAI
CK	CH. KARNCHANG	KKP	KIATNAKIN BANK	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
DCC	DYNASTY CERAMIC	KTB	KRUNG THAI BANK	TCAP	THANACHART CAPITAL
DELTA	DELTA ELECTRONICS (THAILAND)	LPH	LADPRAO GENERAL HOSPITAL	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	PACE	PACE DEVELOPMENT CORPORATION	TMT	THAI METAL TRADE
EGCO	ELECTRICITY GENERATING	PTT	PTT	TOP	THAI OIL
GFPT	GFPT	PTTGC	PTT GLOBAL CHEMICAL		

## Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	ERW	THE ERAWAN GROUP	SAPPE	SAPPE
AP	ASIAN PROPERTY DEVELOPMENT	GLOW	GLOW ENERGY	SAWAD	SRI SAWAD POWER 1979
BA	BANGKOK AIRWAYS	GUNKUL	GUNKUL ENGINEERING	SCB	THE SIAM COMMERCIAL BANK
BANPU	BANPU	ILINK	INTERLINK COMMUNICATION	SCN	SCAN INTER
BCP	THE BANGCHAK PETROLEUM	KTC	KRUNGTHAI CARD	SEAFECO	SEAFECO
BH	BUMRUNGRAD HOSPITAL	LH	LAND AND HOUSES	SVI	SVI
BJCHI	BJC HEAVY INDUSTRIES	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CBG	CARABAO GROUP	MAKRO	SIAM MAKRO	TKN	TAOKAENOI FOOD & MARKETING
CENTEL	CENTRAL PLAZA HOTEL	MALEE	MALEE SAMPRAN	TMB	TMB BANK
CHG	CHULARAT HOSPITAL	MINT	MINOR INTERNATIONAL	TRT	TIRATHAI
CKP	CK POWER	MODERN	MODERNFORM GROUP	TRUE	TRUE CORPORATION
CPF	CHAROEN POKPHAND FOODS	NOK	NOK AIRLINES	TVO	THAI VEGETABLE OIL
CPN	CENTRAL PATTANA	PTTEP	PTT EXPLORATION AND PRODUCTION		
DTAC	TOTAL ACCESS COMMUNICATION	PYLON	PYLON		

## Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
BEM	BANGKOK EXPRESSWAY AND METRO	MTLS	MUANGTHAI LEASING	SPRC	STAR PETROLEUM REFINING
CPALL	CP ALL	SCI	SCI ELECTRIC		

## No progress

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	BPP	BANPU POWER	FN	FN FACTORY OUTLET
BCPG	BCPG	BTS	BTS GROUP HOLDINGS	TPCH	TPC POWER HOLDING

Source: www.cgthailand.org

**Disclaimer:** The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.

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## KGI's Ratings

Rating	Definition
Outperform (OP)	The stock's excess return over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan)..
Neutral (N)	The stock's excess return over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan)
Under perform (U)	The stock's excess return over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.  Excess return = 12M target price/current price-
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

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